GOVERNMENT SERVICE INSURANCE SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Government Service Insurance System (GSIS) is a government financial institution, organized and created to administer its funds and implement the laws that govern the social security and insurance benefits of all government employees. The official address of its Home Office is at the Government Financial Center, Roxas Boulevard, Pasay City. The GSIS has 42 Branch Offices, 14 Extension Offices and 63 Service Desks strategically located in various cities and municipalities of the country.

The GSIS was created by the Congress of the Philippines through Commonwealth Act (CA) No. 186 on November 14, 1936. Its primary objective is to promote the welfare of government employees through an insurance system that will protect its members against adverse economic effects resulting from death, disability and old age.

On May 31, 1977, Presidential Decree (PD) No. 1146, otherwise known as “The Revised Government Service Insurance Act of 1977”, was issued by then President Ferdinand E. Marcos. On June 24, 1997, Republic Act (RA) No. 8291, otherwise known as “The Government Service Insurance System Act of 1997”, was enacted into law to enhance the social security coverage and benefits of the GSIS.

Pursuant to Section 34 of RA No. 8291, all contributions payable under Section 5 thereof, together with the earnings and accruals thereon, shall constitute the GSIS Social Insurance Fund (SIF). The said fund shall be used to finance the benefits administered by the GSIS under RA No. 8291. In addition, the GSIS shall administer the Optional Life Insurance Fund (OLIF) and Pre-Need Fund (PNF) for the insurance coverage described in Section 26 of RA No. 8291, the Employees’ Compensation Insurance Fund (ECIF) created under PD No. 626, as amended, the General Insurance Fund (GIF) created under RA No. 656, as amended, and such other special funds existing or that may be created for special groups or persons rendering services to the government.

The accompanying financial statements of the GSIS were authorized for issue by the GSIS management represented by the Chairman of the Board of Trustees, President and General Manager and the Vice President – Controller Group on June 18, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The accompanying financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Philippine Financial Reporting Standards Council (PFRSC) and with COA Circular No. 2017-004. PFRS are adopted by the PFRSC from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the

Philippine Board of Accountancy (BOA). COA Circular No. 2017-004 was issued by the Commission on Audit as guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporations classified as government business enterprises and Philippine Public Sector Accounting Standards by non-government business enterprises.

In 2014, the GSIS did an early adoption of PFRS 9 (2013), adopted by the FRSC in December 2013. As a result, financial assets were revalued and reclassified, as applicable, to reflect the GSIS' business model in managing its financial assets.

2.2 Adoption of New and Revised PFRS and PAS

a. Effective in 2017 that are relevant to the GSIS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the GSIS adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

b. Effective in 2017 that are not relevant to the GSIS

- Amendments to PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

- Amendments to PFRS 12, Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

c. Effective subsequent to 2017 but are not adopted early

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, Financial Instruments (2014) – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated at fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for an evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before implementing PFRS 17, Insurance Contracts ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9, thus continuing to apply PAS 39 instead ('the deferral approach').

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 40, Investment Property - Transfers of Investment Property – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

Except for PFRS 9, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the financial statements of the GSIS. Additional disclosures will be included in the financial statements, as applicable.

GSIS anticipates that the application of PFRS 9 might have a significant effect on amounts reported in its financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – This standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

- Amendments to PAS 28, Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Effective for annual periods beginning on or after January 1, 2021

- PFRS 17, Insurance Contracts – This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

2.3 Segment reporting

For management purposes, GSIS is organized based on their products and services and has the following reportable segments:

Social Insurance (SI)

Under Section 3 of RA No. 8291, membership in the GSIS shall be compulsory for all government employees receiving compensation who have not reached the compulsory retirement age, irrespective of employment status, except members of the Armed Forces of the Philippines and the Philippine National Police and contractual employees who have no employer and employee relationship with their agencies.

Except for the members of the judiciary and constitutional commissions who shall have life insurance only, all members of the GSIS shall have life insurance, retirement and all other social security protection provided under RA No. 8291.

Section 11.1 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 8291 approved on June 23, 2010 under Board Resolution (BR) No. 88 provides that the rate of contribution payable by the member and the government agency shall be 9 per cent and 12 per cent, respectively, based on the actual monthly salary of the member.

Special members that include constitutional commissioners, members of the judiciary and those with equivalent ranks are required by law to remit to the GSIS, 3 per cent of their fixed monthly compensation for both employees' and government agency's share as life insurance premiums in order to answer for their life insurance benefits defined under RA No. 8291.

It is mandatory for all government agencies to deduct each month, from the monthly salary or compensation of each employee, the contribution payable by him in accordance with the schedule as specified under Section 11.1 of the RIRR of RA No. 8291, and remit directly to the GSIS the employer's and employees' contributions within the first 10 days of the calendar month following the month to which the contributions apply. In case of delay in remittance, the agencies have the legal obligation to pay interest as may be prescribed by the Board but not less than 2 per cent simple interest per month.

It is prohibited for a government agency to delay the remittance to GSIS of the premium contributions deducted from the compensation of the members and use it for other purposes.

Optional Life Insurance (OLI)

a. Unlimited Optional Life Insurance (UOLI), College Education Assurance Plan (CEAP), Hospitalization Insurance Plan (HIP) and Group Term Insurance (GTI) premium.

Prior to 2009 when the marketing of the OLI products came to a halt, a GSIS member may opt to apply for additional optional life insurance which includes the following types of insurance:

- UOLI;
- CEAP;
- HIP; and
- GTI.

The figures in the Statements of Financial Position represent premiums for the remaining policies in force as at December 31, 2017.

Premiums on optional insurance shall be paid monthly in advance during the life of the policy either directly by the insured, if retired or separated from the service or through salary deduction if still in the service (Section 12.7.1 of RA No. 8291).

b. Redemption Insurance (RI)

RI premiums are paid by loan borrowers to cover the outstanding balances in case of premature death.

The RI rate shall depend on the term of the loan and shall be either be deducted in advance or embedded in the monthly amortization. If the member-borrower dies and the loan is up to date, the loan shall be deemed fully paid by virtue of the insurance coverage. And likewise, shall be deemed lapsed or cancelled once the loan account is declared in default. Consequently, if the member-borrower dies and the loan is in default, it shall not be covered by the redemption insurance.

General Insurance (GI)

RA No. 656, otherwise known as the “Property Insurance Law”, established the “Property Insurance Fund” to indemnify or compensate the government for any damage or loss of its property. The administration of the fund was placed under the GSIS. Under Section 5 of RA No. 656, every government unit, except municipalities below first class, is required to insure its property with the GSIS.

The GIF financial statements reflect the financial positions and result of operations of the general insurance business of the GSIS. It includes the recording and accounting for insurance and reinsurance premiums, losses recoverable, reinsurance, claims and related expenses, disbursements, unearned premiums, marketing and administration fees, as well as appropriations for losses and contingencies. The GIF is being administered by the SIF. As such, administration fee and marketing commission based on the GIF net premiums retained are being charged by the SIF to the GIF.

Pre-Need Insurance (PNI)

The PNF was created pursuant to Section 26 of RA No. 8291. This covers pre-need coverage embracing education, health and memorial plans, which the GSIS offered to better respond to the growing needs of its members. The marketing of the pre-need plans has been suspended effective December 31, 1998. On September 27, 2012 under BR No. 151, the GSIS Board of Trustees (BOT) approved and confirmed the termination of the implementation of the Family Hospitalization Plus Plan (FHPP) and the Hospitalization Insurance Plan (HIP) effective January 1, 2013 and that GSIS shall no longer renew existing policies after their termination date or on December 31, 2012, whichever comes first, and shall accept and process claims covered by policies until June 30, 2013.

Employees Compensation Insurance (ECI)

The ECIF, also known as the "Employees' Compensation and State Insurance Fund", was created under PD No. 626 (amending PD No. 442, Labor Code of the Philippines). It was established to carry out the State's policy to promote and develop a tax-exempt employees' compensation program whereby employees and their dependents, in the event of work-connected disability or death, may promptly secure adequate income benefit and medical or related benefits.

The ECIF shall be liable for compensation to the employee or his dependents, except when the disability or death was occasioned by the employee's intoxication, willful intention to injure or kill himself or another, notorious negligence, or otherwise provided under Article 172 of PD No. 626.

The GSIS, represented by the President and General Manager, is an ex-officio member of the Employees Compensation Commission (ECC) which was created to initiate, rationalize and coordinate the policies of the employees' compensation program.

The ECIF is one of the funds administered by the GSIS pursuant to Section 34 of RA No. 8291. Under Article 178 of PD No. 626, all revenues collected by GSIS under the ECIF shall be deposited, invested, administered and disbursed in the same manner and under the same conditions, requirements and safeguards as provided by RA No. 1161, as amended, and CA No. 186, as amended, with regards to such other funds as are thereunder being paid to or collected by the SSS and GSIS, respectively.

Barangay and Sanggunian Officials Insurance (BSOI)

Section 522 of the RA No. 7160, otherwise known as the Local Government Code of 1991, mandates the GSIS to establish and administer an appropriate system under which the punong barangay, members of the sangguniang barangay, barangay secretary, barangay treasurer, and members of the barangay tanod shall enjoy insurance coverage. The National Government remits the premium contributions for the insurance coverage of barangay officials to GSIS through the Department of Budget and Management (DBM), and the same is administered by the GSIS through the Barangay and Sanggunian Officials Insurance Fund (BSOIF), from where insurance benefits for barangay officials are sourced.

However, the National Government has been delinquent in remitting the required premium contributions to the BSOIF since 1995. As a result of the huge amount of premium deficiencies and its failure to settle the same despite due notices, the GSIS has suspended payment of the claims for benefits under RA No. 6942 in November 2001 under BR No. 332.

Property Replacement Fund (PRF)

The PRF was created under Joint Circular (JC) No. 1-90 dated October 11, 1990 and funded by the General Appropriations Act (GAA) for CY 1989. The GSIS administers the PRF pursuant to GSIS-DBM Memorandum of Agreement (MOA) and JC No. 1-90.

The PRF was intended for the restoration of losses of government property and payment of premiums for the insurance of certain high risk government property against extraordinary losses. However, the DBM, in its letter dated July 13, 1998, directed the GSIS to immediately suspend PRF operations to preserve the viability of the said fund and to hedge against ensuing adverse impact of the depletion of the PRF.

On April 9, 2002, GSIS formally notified the DBM of its intention to terminate the MOA regarding the PRF. The GSIS, in its letter dated December 29, 2003, requested formally to turn-over the amount of P26.566 million representing PRF's remaining cash account as of November 30, 2003.

This was further reiterated in August 18, 2015 in a letter to the DBM with the offer to return the remaining cash balance of the PRF amounting to P27.487 million and the intention to terminate the obligation of GSIS as administrator of the Fund.

2.4 Basis of measurement

The financial statements are prepared on historical cost basis except for the following items which are measured at fair value:

- Equity securities, debt securities, externally managed funds and derivatives;
- Investment property; and
- Land and heritage assets classified under property and equipment.

2.5 Accrual basis of accounting

In accordance with Philippine Accounting Standards (PAS) 1, the financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

2.6 Foreign currency translation

a. Functional and presentation currency

The financial statements are presented in Philippine Peso (P), which is the GSIS' functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

b. Transactions and balances

Transactions in foreign currencies are initially recorded in Peso at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the prevailing functional currency rate at reporting date. Exchange rate differences arising from the restatement or settlement of monetary items are recognized in profit or loss in the year in which they arise. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.7 Financial instruments

a. Date of recognition

Financial instruments are recognized in the statements of financial position when GSIS becomes a party to the contractual provisions of the instrument.

b. Initial recognition of financial instruments

Financial instruments are recognized initially at the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction costs.

c. Classification of financial instruments

GSIS classifies its financial assets as subsequently measured at amortized cost, or fair value through other comprehensive income (FVOCI) or FVPL. The classification depends on the purpose for which the financial instrument were acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every balance sheet date.

Financial assets at FVPL include financial assets held for trading purposes or designated by management as financial asset at FVPL at initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets designated as at FVPL by management on initial recognition when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or recognizing gains or losses on them on different bases;

- The financial assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative that would need to be separately recorded.

These financial assets are subsequently measured at fair market value. Realized and unrealized gains and losses arising from changes in fair market value of financial assets at FVPL are recognized in the statement of comprehensive income.

GSIS measures its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held in order to collect contractual cash flows; and

- The terms of the contract are solely for payments of principal and interest on the principal amount outstanding.

GSIS measures its financial assets at FVOCI if any of the following conditions are met:

- Equity securities which are not held for trading, and for which GSIS has made an irrevocable election at initial recognition to recognize changes in FVOCI rather than FVPL; and

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the GSIS' business model is achieved both by collecting contractual cash flows and selling financial assets.

d. Valuation of financial instruments

Investment assets and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from the market. These valuation techniques include using recent arm's-length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

- Fair value of publicly traded equities is based on quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs;

- For equity securities that are not traded in the market, the fair value is determined using appropriate valuation techniques. Non-traded stocks are revalued at year-end and recorded based on its net asset value;

- For government issued bonds, peso and foreign currency denominated

Republic of the Philippines (ROP) notes and bonds, fair value is based on quoted market prices;

- Fair value of corporate bonds is based on quoted market prices. Where the market value is not available, fair value is calculated using inputs based on quoted prices and valuation methods adopted by GSIS;

- Fair value for externally managed funds is generally based on the net asset value as reported by the external managers of the funds or other accepted industry valuation methods; and

- For over-the-counter derivatives which include swaps, forward contracts and warrants, fair value is determined by using inputs from quoted market prices and internally-developed models.

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

GSIS assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment has been recognized, the decrease is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined had no impairment been recognized.

2.10 Derecognition of financial assets and liabilities

a. *Financial assets.* A financial asset (or, where applicable, a part of a financial asset or part of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; and

- GSIS has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where GSIS has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the GSIS' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset or the maximum amount of consideration that GSIS could be required to repay.

b. *Financial liabilities*. A financial liability is derecognized when the obligation comprising the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks and high yield short term placements. Cash in banks includes savings and demand deposit or checking account and cash equivalents include any placements made with maturities equal to or less than 90 days from the date of acquisition and are unrestricted as to withdrawal. Cash equivalents are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value and have short maturities. Cash and cash equivalents are presented at face value.

2.12 Contributions and premiums receivable

Contributions and premiums receivable represent receivables arising from unremitted members' contribution and other premiums already due but not yet collected. These are measured at amortized cost.

2.13 Loans receivable

Loans receivable represent loans granted to members, government agencies and private entities. These receivables are measured at amortized cost.

2.14 Investment property

Investment property consists of land or building or part of a building or both, held to earn rentals or for capital appreciation or both.

This account pertains to real property that were previously the subject of mortgage loan, individual real estate loan, commercial-industrial loan, lease-purchase agreement, or deed of conditional sale, which were foreclosed, cancelled or relinquished by former owners in favor of GSIS. This also includes real property which are subject of Dacion-en-Pago, government awards and donation in favor of GSIS, property subject of purchase and properties subject of exchange.

Investment property are initially recognized at cost, including transaction costs. Subsequently, these are measured at fair value with changes in fair value recognized in profit or loss.

In arriving at the fair value of the land and building, the market data approach is used. The market value is estimated using the gathered available market evidences and the depreciated replacement cost for other asset which has no available market evidence. Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently, and without compulsion. Depreciated replacement cost, on the other hand, is the cost of replacement less accrued depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.

The appraisal of big and medium ticket accounts is done by independent appraisers every three years or as the need arises. However, annual appraisal is done by in-house appraisers. Internal appraisal includes determination whether there is reasonable basis to believe that there is substantial change in the fair value of the property since the last external appraisal.

Transfers to or from the investment property account are made when there is a change in the use of the asset.

2.15 Property, plant and equipment (PPE)

PPE are initially measured at cost which consists of the purchase price including import duties (except land), borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

The cost of an item of PPE is recognized as assets if it meets the capitalization threshold of P15,000. This threshold which represents the minimum cost is applied on an individual asset or per item basis. Each item within the bulk acquisition with aggregate or total value of property and equipment, such as library books, computer peripherals and small items of equipment, should meet the capitalization threshold to be recognized as PPE.

Items below the capitalization threshold are accounted for as semi-expendable property (supplies and materials). These items which were previously recorded as PPE are reclassified to the respective supplies and materials accounts and are recognized as expenses upon issuance to the end-users.

Subsequent to initial recognition, PPE, except land and heritage assets, are stated at cost less accumulated depreciation and any impairment in value. Land and heritage assets are carried at revalued amount. Increase in value resulting from revaluation is credited to revaluation surplus. Any decrease in value is recognized as expense to the extent that it exceeds the revaluation surplus previously recognized.

Where the GSIS occupies a significant portion of the property for its own use, and an insignificant part to earn rentals, the property is accounted for as PPE.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the PPE.

Depreciation is calculated on a straight-line basis with 10 per cent residual value, except for software under Information Technology (IT) resources, over the estimated useful life of the asset prescribed by Commission on Audit (COA) as follows:

Asset class	Useful life (in years)
Building and building improvements	30
Land improvements	10
Furniture and fixtures	10
Ordnance	10
Medical equipment	10
Dental equipment	10
Laboratory equipment	10
Communications equipment	10
Sports equipment	10
Firefighting equipment and accessories	7
Transportation equipment - land	7
IT resources	5
Office equipment	5
Library books	5

The carrying values of PPE are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. In assessing whether there is an indication that an asset may be impaired, the GSIS considers the availability of evidence of obsolescence or physical damage of an asset.

Valuation is done by an independent appraiser every three years or as the need arises. However, annual appraisal is done by in-house appraisers. Internal appraisal includes determination whether there is reasonable basis to believe that there is substantial change in the fair value of the property since the last external appraisal.

The value of land was arrived at by the market data approach. In this approach, the said value is based on sales, listings and other market data of comparable property registered within the vicinity of the subject property. The technique of this approach requires reducing reasonably comparative sales and listings to a common denominator in order to conform to subject property. The comparative study is premised on the factors of location, size and shape of lot, highest and best use and the time element.

An item of PPE is said to be fully depreciated when the carrying amount is equal to zero or its residual value. The cost of fully depreciated assets remaining in service and the related accumulated depreciation and accumulated impairment losses are not removed from the books of accounts until these items are disposed of or derecognized through donations or determined to be impaired or unserviceable. An asset is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential. These items are derecognized from the books and any remaining book value is recognized as impairment loss.

Construction in progress is included in PPE and stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

2.16 Impairment of non-financial assets

The carrying amount of non-financial assets, other than investment property, are assessed to determine whether there is any indication of impairment or an impairment previously recognized may no longer exist. Based on such determination the asset's recoverable amount is estimated. The asset's recoverable amount is its fair value less costs to sell or its value in use, whichever is higher.

Impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss unless it relates to a revalued asset where the changes in value are recognized in other comprehensive income. Depreciation and amortization charges for future periods are adjusted accordingly.

2.17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the GSIS and the amount of revenue can be reliably measured.

Revenue from insurance contributions consists of the mandatory members' and employers' contributions provided in Section 5 of RA No. 8291. Revenue is recognized as the members' contributions become due. Premiums on life insurance policies are earned as consideration for the risk or contingencies insured by the GSIS for the benefit of the members or their beneficiaries.

Interest revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend revenue is recognized when the right to receive the payment is established.

Revenue from rental of property and equipment is derived from the lease of GSIS office spaces or premises under contracts of lease containing the terms and conditions as agreed upon by the GSIS and the lessees. Rental revenues are recognized on a straight-line basis.

Premiums from the insurance of government assets, property and interests against various perils are recognized as income upon issuance of the policy. Premium is the amount charged by the GSIS pursuant to an insurance policy or contract, for the protection from losses or risks for a period of time (normally one year). Inward reinsurance premium income for inward reinsurance business is recognized upon acceptance of the reinsurance binder. Reinsurance commission income is generated by the GSIS from cessions to reinsurers and recognized upon signing of the reinsurance binder. Reinsurance commission is a percentage of the premium due on the cession to the reinsurer, which the reinsurer allows the insurer to deduct from the premium payable.

2.18 Expense recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred.

2.19 Reinsurance

The premise of reinsurance was based on the provision under Section 221 of RA No. 10607, Amended Insurance Code of the Philippines, which states that, "*No insurance company other than life, whether foreign or domestic, shall retain any risk on any one subject of insurance in an amount exceeding twenty percent (20%) of its net worth*."

The GSIS has been maintaining its reinsurance program like all insurance companies. The objective of this program is to reduce GSIS' exposure to loss by sharing the risk of loss with a reinsurer or a group of reinsurers.

Reinsurance arrangements however, do not relieve the GSIS of its obligations to its policy holders. Under this arrangement, both insurance premiums and insurance claims and losses are recorded at gross amounts. Reinsurance expenses are recorded using the accrual basis of accounting.

Corollary to the recording of the claims and losses of the policyholders/insured is the recording of the recoverable accounts from the reinsurer. The amounts recoverable/due from the reinsurer are estimated in accordance with the reinsurance contract.

Due from reinsurer accounts are regularly reviewed for impairment. The impairment loss is recorded in the statement of income.

2.20 Events after the reporting date

Post year-end events that provide additional information about GSIS' financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. FINANCIAL RISK MANAGEMENT

The responsibility of risk management resides in all levels of the organization with the GSIS BOT being ultimately responsible for the overall risk of the organization. The GSIS established the Enterprise Risk Management (ERM) System which is meant to ensure that corporate assets are managed properly and that quality service is rendered to the members and stakeholders of the organization. Using ERM framework, GSIS observes comprehensive, system-wide, and integrated approach to risk management to enhance governance mechanism and effectively identify, assess and manage risks. This means that groups or departments pursue risk management within the context of the whole organization in order to have a cross-cutting, enterprise-wide view of risk.

To ensure a robust risk management system in GSIS, the Risk Oversight Committee (ROC) assists the Board in its risk policy and oversight functions by formulating risk policies, setting system-wide risk limits, and reviewing the risks of specific proposals. In 2017, to further strengthen risk management and corporate governance, the Risk Management Office (RMO) was transferred from the Actuarial and Risk Management Group to be directly under the ROC, functionally.

In addition to the ROC, the GSIS Assets and Liabilities Committee (ALCO) was created to replace the existing GSIS Investment Committee, to assists the BOT and the President and General Manager in the management of the funding risk. Its functions are to ensure efficient implementation of balance sheet management policies; review, assess, and recommend new loan products and investment proposals; recommend the strategic asset allocation according to risk appetite; and review financial performance versus targets.

In relation to financial management, the GSIS maintains investments in a variety of assets and financial instruments in accordance with its investment management strategy. The management team sets revenue and asset allocation targets yearly as incorporated in its budget as approved by the Board. Targets are set in accordance with GSIS mandate of generating return from its assets in order to meet or surpass the growth of its liabilities particularly in the SIF.

3.1 Financial risk factors

Credit risk

Credit risk is the risk of financial loss arising from the counterparties' inability or unwillingness to settle their financial obligations to the GSIS as expected or originally contracted. The credit risk of the GSIS fund arises principally from its outstanding loan receivables, debt securities held, derivative financial assets, and cash and cash equivalents.

In managing the credit risk of its loan receivables, the GSIS' basic strategy is to improve collection through: (a) policy changes, followed by strict enforcement; (b) procedural enhancement; and (c) utilization of information technology solutions that would enable the GSIS to track, monitor and promptly collect from borrowers.

The GSIS constantly monitors the terms and conditions of member loan programs to ensure that the programs remain financially viable for GSIS, responsive to changing market conditions and at the same time suited to members' requirements.

The table below shows the GSIS' maximum credit risk exposure which is equivalent to the total carrying amount of the GSIS' financial assets:

	2017	2016 Restated
Loans receivable - net*	**261,223,704,864**	255,160,992,779
Financial assets at FVPL - corporate bonds*	**70,224,179,436**	66,445,946,263
Cash in banks and cash equivalents*	**24,742,111,865**	15,355,250,513
Contributions and premiums receivable - net	**23,613,587,860**	21,881,732,232
Investments in time deposits*	**9,121,368,409**	28,136,893,333
	388,924,952,434	386,980,815,120

** Includes interest receivable.*

To manage credit risks for its loans to members, the GSIS carefully sets, and constantly monitors and assess the terms and conditions of member loan programs. This ensures that the programs remain financially viable for the GSIS, responsive to changing market conditions, and suited to members' requirements.

The table below shows the aging analysis of the GSIS' financial assets. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2017		
	Neither past due nor impaired	**Past due but not impaired**	**Total**
Loans receivable - net*	**205,983,351,970**	**55,240,352,894**	**261,223,704,864**
Financial assets at FVPL - corporate bonds*	**70,224,179,436**	**-**	**70,224,179,436**
Cash in banks and cash equivalents*	**24,742,111,865**	**-**	**24,742,111,865**
Contributions and premiums receivable - net	**8,720,045,930**	**14,893,541,930**	**23,613,587,860**
Investments in time deposits*	**9,121,368,409**	**-**	**9,121,368,409**
	318,791,057,610	**70,133,894,824**	**388,924,952,434**

**Includes interest receivable.*

	2016		
	Neither past due nor impaired	Past due but not impaired	Total
Loans receivable - net*	199,084,225,475	56,076,767,304	255,160,992,779
Financial assets at FVPL - corporate bonds and global peso notes*	66,445,946,263	-	66,445,946,263
Investments in time deposits*	28,136,893,333	-	28,136,893,333
Contributions and premiums receivable - net	8,419,795,886	13,461,936,346	21,881,732,232
Cash in banks and cash equivalents*	15,355,250,513	-	15,355,250,513
	317,442,111,470	69,538,703,650	386,980,815,120

** Includes interest receivable.*

The data on loans receivable and contributions and premiums receivable pertains to the credit risk posed by members. Loans are collateralized and/or covered with Loan Redemption Insurances (LRI) and subjected to minimum net take-home pay requirement to mitigate risks.

Credit risks arising from debt securities held, derivative financial assets and cash and cash equivalents is managed by dealing only with counterparties with good credit standing and by setting exposure limits to issuers of debt securities according to their credit rating. These policies are set in the Counterparty and Issuer Risk Guidelines (CIRG) and Investment Policy Guidelines (IPG) which the GSIS adheres in undertaking investment decisions.

The CIRG provides a framework for managing the credit risk exposures of GSIS to counterparties in transactions affecting the investment of funds and to issuers of securities taken into the investment portfolio. It establishes credit exposure limits to a pre-approved list of transaction counterparties (banks), and provides guidelines for the calculation and monitoring of GSIS' credit exposures to each counterparty-bank.

The credit rating of the GSIS' financial assets that are neither past due nor impaired is high grade since settlements are obtained from the counterparty following the terms of the contracts without much collection effort.

For cash in banks, high grade credit rating was assigned since these are deposited with reputable banks and the GSIS has not experienced any difficulty transacting through these banks.

Liquidity risk

Liquidity risk arises when the GSIS encounters difficulty in realizing its assets or otherwise raising funds to meet commitments associated with its financial liabilities.

GSIS manages this risk through the daily monitoring of cash flows in consideration of future payment due dates and daily collection amounts. GSIS also maintains sufficient portfolio of liquid assets that can easily be converted to cash as protection against unforeseen interruption in cash flows. GSIS also has the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly traded equity and debt securities, and short term cash deposits.

	2017	2016 Restated
Financial assets at FVPL	**691,967,599,319**	606,774,897,980
Cash and cash equivalents	**25,062,126,607**	15,678,182,636
Investments in time deposits	**9,102,243,398**	28,000,000,000
	726,131,969,324	650,453,080,616
Liabilities	**19,170,450,802**	23,134,714,870

Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, foreign exchange rates, equity market prices and real estate property market prices.

The GSIS' strategy for the management of market risk is driven by its objective to attain an investment return that will meet or exceed the actuarial solvency of the funds through strategic asset allocation, which are determined by the management and approved by the BOT.

The investment team is required to diversify the investments of the GSIS within the limits set under the GSIS IPG, which promotes the safety of the funds, optimizes the return on its investment, and satisfies the liquidity requirement of the GSIS. The IPG aims to define the types of investments and transactions that the fund may invest in, provide a framework for managing the risk of the portfolio, and incorporate best practices in the management of investments. The GSIS' market positions and transactions are monitored daily by the Investment Manager and are reported to ALCO on a monthly basis.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The GSIS is cognizant of a liability-driven investment management. The GSIS under its IPG shall determine its risk-free hedge investment position in relation to its liabilities in order to establish a baseline for its investment strategy. Therefore, investing one hundred percent in risk-free debt securities is a baseline strategy for the funds of the GSIS. However, because risk-free returns may not satisfy the required return needed to meet its future liabilities the IPG set a maximum limit of 60 per cent of total investible fund held in debt securities issued by the ROP. In order to maximize returns, the GSIS may invest in debt securities other than the risk free instrument with prescribed limits set in the IPG.

The sensitivity of the value of fixed income investment assets as a result of an increase or decrease in interest rates is immunized by the sensitivity of the present value of its total future liabilities from and increase or decrease in its discount factor.

The table below summarizes the impact on the value of fixed income investments as a result of an increase or decrease in interest rates for CY 2017 (in millions):

Change in interest rate	Impact on fixed income assets
+1.00%	(31,213)
-1.00%	32,531

Foreign currency risk

GSIS is exposed to foreign currency risk through its cash and cash equivalents, financial assets, and GI receivables (premiums and due from reinsurers) and payables (claims and due to reinsurers) denominated in US dollars (USD).

Any depreciation or appreciation of the foreign currencies against the peso posts significant foreign exchange gains or losses relating to cash and cash equivalents, financial assets and GI receivables and payables. The GSIS manages risk affecting foreign currency transactions by entering into derivative contracts such as foreign exchange forwards and cross currency swaps, for the purpose of enhancing returns or for hedging unwanted foreign currency risk. The derivative transaction is limited to Peso and other major currencies.

The GSIS' policy with respect to managing its currency risk is to limit its individual foreign exchange currency exposure to no greater than 10 per cent of total investible fund unless otherwise approved by the BOT as set in the IPG.

In translating monetary assets and liabilities into peso, the exchange rate used were P49.930 and P49.720 to USD based on the closing rate of Philippine Dealing and Exchange Corporation (PDEX) as at December 31, 2017 and 2016, respectively.

	2017		2016 Restated	
	USD denominated balances	**Peso equivalent**	USD denominated balances	Peso equivalent
Financial assets				
Financial Assets at FVPL	**2,293,614,252**	**114,520,159,602**	1,831,321,618	91,053,310,847
Investments in time deposits	**142,244,010**	**7,102,243,419**	-	-
Cash and cash equivalents	**86,584,984**	**4,323,188,251**	51,470,258	2,559,101,228
Due from reinsurer	**46,675,350**	**2,330,500,226**	298,692	14,850,966
Interest receivable	**22,580,675**	**1,127,453,103**	22,268,160	1,107,172,915
Contributions and premiums receivable	**11,208**	**559,615**	1,894,487	94,193,894
	2,591,710,479	**129,404,104,216**	1,907,253,215	94,828,629,850
Liabilities				
Accounts payable	**51,398,867**	**2,566,345,429**	3,012,777	149,795,272
Insurance/reinsurance premium payable	**1,374,411**	**68,624,341**	2,697,486	134,119,004
	52,773,278	**2,634,969,770**	5,710,263	283,914,276

The following table sets out the impact of the range of reasonably possible movement in the USD and Peso exchange rates with all other variables held constant in the GSIS' income for the years ended December 31, 2017 and 2016.

Change in exchange rate against Peso	Effect on income	
	2017	2016
	USD1.00 = P49.930	USD1.00 = P49.720
1.00 increase	**2,538,937,201**	1,901,542,952
1.00 decrease	**(2,538,937,201)**	(1,901,542,952)

Equity (stock price) risk

Equity or stock price risk is the risk that the value of the GSIS equities portfolio investments will fall due to the general fall in stock market prices and/or due to the fall of stock prices of specific equity holdings in the portfolio.

Stock price risk is monitored daily by the investment manager. It is managed by diversifying the portfolio through sector limits and exposure in global markets. The internally managed equity portfolio is subject to exposure limits below as approved in the IPG:

- PSE-traded equity securities - up to 25 per cent of the total investible funds; and
- Equity-traded funds (ETFs) – up to 5 per cent of the total investible funds.

3.2 Fair value estimation

The carrying or fair values of all of the GSIS financial assets and liabilities as at December 31, 2017 and 2016 are as follows:

	2017	2016 Restated
Cash and cash equivalents	**25,062,126,607**	15,678,182,636
Financial assets at FVPL		
ROP notes and bonds	**373,947,356,424**	361,773,754,912
Stocks- traded	**216,068,978,834**	149,124,404,431
Corporate bonds	**69,647,308,278**	63,025,288,469
Externally managed funds	**27,807,512,013**	25,726,434,838

	2017	2016 Restated
Global peso notes	**4,496,443,770**	7,125,015,330
Financial assets at FVOCI		
Non – traded stocks	**806,286,681**	804,898,002
Investments in time deposits	**9,102,243,398**	28,000,000,000
Receivables		
Loans and receivable	**316,945,740,988**	307,734,663,157
Lease receivables	**31,821,183**	34,095,428
Other receivables	**1,295,467,355**	(1,569,266,458)
	1,045,211,285,531	957,457,470,745
Liabilities	**19,170,450,802**	23,134,714,870

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the GSIS.

The GSIS uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial assets at FVPL that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date, or the last trading day as applicable. For equity instruments that are not quoted, the investments are carried at cost net of impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Due to the short-term nature of cash and cash equivalents, premiums and loans receivable and other financial liabilities, their carrying values reasonably approximate their fair values at year end.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The following table shows the fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value:

	Level 1	Level 2	Level 3	Total
Equities				
Traded stocks	216,068,978,834	-	-	216,068,978,834
Non-traded stocks	-	-	806,286,681	806,286,681
Fixed income				
ROP bonds	373,947,356,424	-	-	373,947,356,424

	Level 1	Level 2	Level 3	Total
Corporate bonds	69,647,308,278	-	-	69,647,308,278
Global peso notes	4,496,443,770	-	-	4,496,443,770
Externally managed funds	-	27,807,512,013	-	27,807,512,013
Total assets at fair value	664,160,087,306	27,807,512,013	806,286,681	692,773,886,000
Derivative liabilities	-	3,504,897,187	-	3,504,897,187
Net assets at fair value	664,160,087,306	24,302,614,826	806,286,681	689,268,988,813

Investment assets and investment liabilities recognized at fair value are analyzed and categorized between those whose fair value is based on the following:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Those involving inputs for the asset or liability that are not based on observable market data (non-observable inputs) (level 3).

The following presents the reconciliations for investments included in level 3 of the fair value hierarchy for the year ended December 31, 2017:

	2016	Net increase in value	**2017**
Non – traded stocks	804,898,002	1,388,679	**806,286,681**

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates may result to outcomes that would require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Judgments

In the process of applying accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments

GSIS as lessee. GSIS has determined that significant risks and benefits of ownership of the leased property remain with the lessor; hence, leases are accounted for as operating lease.

GSIS as lessor. GSIS has determined that significant risks and benefits of ownership of the leased property remain with GSIS; hence, leases are accounted for as operating lease (see Note 29).

4.2 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

Estimation of impairment losses on receivables

GSIS maintains allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, among others, the debtor's payment behavior and known market factors. GSIS reviews the status of the member/borrower and age of receivables and identifies accounts that are to be provided with allowance on a yearly basis. The amount and timing of recorded expenses for any period would differ if GSIS made different judgments or utilized different estimates.

Premium receivables

SI, OLI and ECI premiums receivable from inactive members are provided with 100 per cent allowance for impairment because probability of collection is deemed unlikely. For PNI premiums receivable, all accounts have been provided with 100 per cent allowance.

Loans receivable

The following policies were adopted in the recognition of impairment of outstanding service loans, except loans to pensioners:

a. Loans to active members classified as Due and Demandable (with more than 6 months arrearages)

- One hundred per cent allowance for impairment for the loan balances which cannot be covered by the computed benefit entitlements if member's Periods with Premium Payments (PPP) is less than 15 years.

b. Loans to inactive members with processed retirement or separation benefits claims

- One hundred per cent allowance for impairment for the loan balances which were not covered by the retirement or separation benefits.

c. Loans to inactive members without processed retirement or separation benefits claims

- One hundred per cent allowance for impairment for the loan balances which cannot be covered by the computed benefit entitlements. In the determination of the benefit entitlements, whether the possible claims have already prescribed under existing laws and policies shall be taken into consideration.

No allowance for impairment is provided for loans to pensioners since collection is done through deduction of amortizations from their monthly pension. Such loans are also covered by redemption insurance in case of death of the pensioner.

For mortgage loans, the GSIS has adopted Bangko Sentral ng Pilipinas Circular No. 789 (Appendix 9: Guidelines in Setting up Allowance for Probable Losses) in recognizing the impairment of past due accounts. The Circular provides a 12.50 per cent allowance for secured accounts where there is an imminent possibility of foreclosure or acquisition of the collateral for failure of all collection efforts.

For non-member loans and receivables, GSIS maintains the allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. Allowance for impairment is based on the following:

- One hundred per cent allowance for accounts of companies/entities which are already declared insolvent or bankrupt; and

- Based on aging of receivables:

Age	Percentage
More than two years up to four years	25%
More than four years up to seven years	50%
More than seven years for accounts of companies or entities which are already declared insolvent or bankrupt	100%

Other receivables

For accounts due from reinsurers, the following percentages are applied in estimating impairment losses:

- One hundred per cent allowance for reinsurance companies already identified as non-operational and for contested accounts; and

- Based on age of receivables for operational companies applying the percentages shown in the following table:

Age	Percentage
Two years and below	0%
Over two years to four years	25%
Over four years to seven years	50%
Over seven years	100%

Provisions and contingencies

GSIS sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. The estimate of the probable costs for settlement of such claims has been developed in consultation with the Legal Services Group and is based upon analysis of the potential results.

Provisions for estimated GI claims

Provisions for estimated GI claims are initially accrued when the insured events occur. The liabilities for unadjusted claims are based on estimated cost of settling the claims. Once the final adjusted amount is determined for the claims and losses, the estimated cost is closed accordingly and the claims payable account is recognized in the books.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2017	2016 Restated
Cash equivalents*	**17,300,000,273**	10,620,000,273
Cash in bank - foreign currency	**4,323,315,320**	2,558,827,308
Cash in bank - local currency	**3,077,285,604**	2,161,920,932
Cash on hand	**361,525,410**	337,434,123
	25,062,126,607	15,678,182,636

**Exclusive of accrued interest receivable amounting to P41.511 million and P14.502 million in 2017 and 2016, respectively.*

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include High Yield Short Term Placements (HYSTP) and Special Savings Deposits (SSD) which are unrestricted in nature and are made for varying periods of three months or less, depending on the immediate cash requirements, and earn interest at the prevailing HYSTP and SSD rates.

Interest income earned from cash and cash equivalents recorded as part of interest on time deposits (see Note 21.2) amounted to P325.178 million in 2017 and P477.998 million in 2016.

6. FINANCIAL ASSETS

6.1 Current financial assets

	2017	2016 Restated
Financial assets at FVPL		
ROP notes and bonds	**373,947,356,424**	361,773,754,912
Stocks traded	**216,068,978,834**	149,124,404,431
Corporate bonds	**69,647,308,278**	63,025,288,469
Externally managed funds	**27,807,512,013**	25,726,434,838
Global peso notes	**4,496,443,770**	7,125,015,330
	691,967,599,319	606,774,897,980

Equity securities

Equity investments are made directly by GSIS in equity securities traded in the Philippine Stock Exchange (PSE). Such securities may include common shares or preferred shares of any solvent corporation or financial institution created or existing under the laws of the Philippines. Such securities include common shares, preferred shares, share warrants, Real Estate Investment Trusts (REITs), and Exchange Traded Funds (ETFs) of any solvent corporation or financial institution created or existing under the laws of the Philippines. Equity securities also include investments in instruments or basket of equity securities that track the performance of a defined equity broad market index (BMI) other than PSE index. The fair value of equity investments amounts to P216.069 billion and P149.124 billion, respectively, as at December 31, 2017 and 2016.

The equity portfolio of the GSIS includes local and global investments as follows:

	2017		2016	
Domestic	**195,118,507,244**	**90.30%**	137,202,717,647	92.01%
Global	**20,950,471,590**	**9.70%**	11,921,686,784	7.99%
	216,068,978,834	**100.00%**	149,124,404,431	100.00%

Fixed income securities

Government securities

Bonds consist of debt instruments denominated in Peso or any major currency that are issuances of or guaranteed by the ROP and its instrumentalities, or by ROP government-owned and/or controlled corporations (GOCCs). These include, but are not limited to, ROP bonds, treasury bills, fixed rate treasury notes and retail treasury bonds. The total investments in ROP notes and bonds amounted to P373.947 billion and P361.774 billion, respectively, as at December 31, 2017 and 2016.

Global peso notes

In 2012, the GSIS diversified its investment by investing in global fixed income securities. These securities are bonds originally issued by a corporation registered in the Philippines denominated in dollars but subsequently sold and traded by a foreign corporation. The total investments in Global Peso Notes amounted to P4.496 billion and P7.125 billion as at December 31, 2017 and 2016, respectively.

Corporate bonds

GSIS may invest and transact in debt instruments denominated in Peso or any major currency that are issued or guaranteed by foreign sovereign governments, supranational corporations, or private corporations that at the time of acquisition by the GSIS carry a long term credit rating equivalent to at least “A+” from Standard & Poor’s (S&P) or Fitch Ratings or “A1” from the Moody’s Investors Service (Moody’s). At any one time, GSIS may invest a maximum of 25 per cent of the total investible funds in high-credit quality debt instruments provided no more than 0.75 per cent of the total investible funds may be invested in any single issuer/ borrower name or guarantee.

GSIS may invest in debt and hybrid instruments denominated in Peso or any major currency and issued or guaranteed by the private corporations, foreign sovereign governments, provided that:

- If issued or guaranteed by a non-Philippine entity, the instrument at the time of acquisition by the GSIS must carry a minimum long term credit rating equivalent to “Baa3” from Moody’s or “BBB-” from S&P or Fitch Ratings. At any one time, GSIS may invest a maximum of 15 per cent of the total investible funds in instruments as described in this subsection provided no more than 0.50 per cent of the total investible funds may be invested in any single issuer or borrower name or guarantee; and

- If issued or guaranteed by a Philippine entity, the debt instrument or the issuer credit rating must carry a minimum credit rating equivalent to “PRS 1” for short term and “PRS Aaa” for long term from Philratings (or equivalent); or the issuer has outstanding debt that is *pari passu* with the debt instrument and that has a minimum credit rating equivalent to “PRS Aaa” for long term from Philratings at the time of acquisition by the GSIS. If the issuer or any of its outstanding debt instruments is not rated by S&P, Fitch Ratings and Moody’s, the minimum issuer credit rating shall be equivalent to “Ba2” from the Moody’s “BB” from the S&P or Fitch Ratings. At any one time, GSIS may invest a maximum of 10 per cent of the total investible funds in instruments as described in this subsection provided no more than 0.50 per cent of the total investible fund may be invested in any single issuer or borrower name or guarantee.

As at December 31, 2017 and 2016, the total investments in corporate bonds amounted to P69.647 billion and P63.025 billion, respectively. This includes investments in local companies and foreign corporations from banking, utilities, energy, sovereign, industrial, commercial, communications, and properties sectors.

The terms to maturity of the bonds issued and guaranteed by the ROP and those issued and guaranteed by foreign sovereign governments or private corporations as at December 31, 2017, are as follows (in millions):

	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield
ROP notes and bonds						
Peso	17,373	55,981	20,448	227,426	321,228	4.70%
USD	-	-	15,127	37,592	52,719	7.80%
	17,373	55,981	35,575	265,018	373,947	6.25%
Corporate bonds						
Peso	350	12,108	22,676	764	35,898	5.23%
USD	-	3,115	4,160	26,474	33,749	5.15%
	350	15,223	26,836	27,238	69,647	5.19%
Global peso notes	-	1,502	-	2,994	4,496	5.00%

Externally managed funds

This account consists of GSIS investments managed by domestic and foreign fund managers who provide additional windows for placement of investible funds that satisfy the requirements of safety, liquidity and yield. Included in this account is the Philippine Investment Alliance for Infrastructure (PINAI) fund, a ten-year, closed-end fund, dedicated to equity investments in Philippine infrastructure. The fund is managed by Macquarie Infrastructure Management (Asia) Pty Limited - Singapore Branch (MIMAL), a member of Macquarie Infrastructure and Real Assets (MIRA).

The GSIS BOT approved the investment in Macquarie Asia Infrastructure Fund (MAIF) 2 with a total committed amount of USD300 million or its peso equivalent on November 28, 2017 under BR No. 229. The Fund makes infrastructure real assets investments in telecommunications, energy and utilities sector. The MAIF 2 will make foreign infrastructure investments accessible to GSIS and will help diversify its risks and portfolio returns.

As at December 31, 2017 and 2016, the total investments in EMF amounted to P27.808 billion and P25.726 billion, respectively.

6.2 Non-current financial assets

Non-current financial assets consist of non-traded stocks held at FVOCI. These are equity investments that are no longer listed or traded in the PSE. The fair value of the investment amounts to P806.287 million and P804.898 million, as at December 31, 2017 and 2016, respectively.

7. OTHER INVESTMENTS

Other Investments consist of investments in time deposits which are short term investment placements with maturities of 91 to 120 days from the date of acquisition and are unrestricted as to withdrawal. As at December 31, 2017 and 2016, total investments in time deposits amount to P9.102 billion and P28.000 billion, respectively.

8. RECEIVABLES

8.1 Loans and receivables

Current loans and receivables

	2017	2016 Restated
Interests receivable	**49,158,312,972**	48,443,329,453
Allowance for impairment - interests receivable	**(8,750,775,808)**	(5,753,447,965)
	40,407,537,164	42,689,881,488
Contributions and premiums receivable	**37,705,557,947**	35,915,320,751
Allowance for impairment - contributions and premiums receivable	**(14,091,970,087)**	(14,033,588,519)
	23,613,587,860	21,881,732,232
Due from reinsurer	**7,492,932,050**	6,097,537,804
Allowance for impairment - due from reinsurer	**(2,337,081,021)**	(2,077,351,109)
	5,155,851,029	4,020,186,695
Dividends receivable	**175,105,039**	149,691,631
Allowance for Impairment - dividends receivable	**-**	-
	175,105,039	149,691,631
Loans receivable-others	**31,473,625,977**	32,631,388,010
Allowance for impairment - loans receivable - others	**-**	-
	31,473,625,977	32,631,388,010
	100,825,707,069	101,372,880,056

Non-current loans and receivables

	2017	2016 Restated
Mortgage contracts receivable	**9,843,966,936**	9,976,993,505
Allowance for impairment-mortgage contracts receivable	**(1,061,186,554)**	(1,061,186,554)
	8,782,780,382	8,915,806,951
Sales contract receivable	**5,319,154,452**	5,250,765,889
Allowance for impairment - sales contract receivable	**(536,519,855)**	(536,519,855)
	4,782,634,597	4,714,246,034
Deficiency claims receivable	**15,765,278**	14,571,772
Allowance for impairment - deficiency claims receivable	**-**	-
	15,765,278	14,571,772
Loans receivable-local government units	**14,174,153**	14,174,153
Allowance for impairment - loans receivable - local government units	**(14,174,153)**	(14,174,153)
	-	-
Loans receivable-others	**225,121,189,133**	216,671,554,203
Allowance for impairment - loans receivable - others	**(22,582,335,471)**	(23,954,395,858)
	202,538,853,662	192,717,158,345
	216,120,033,919	206,361,783,102

8.1.1 Contributions and premiums receivable

	2017	2016 Restated
Social insurance contributions receivable	**33,001,516,931**	34,091,021,947
Employee compensation insurance premiums receivable	**4,856,554,810**	4,901,206,200
Optional life insurance premiums receivable	**2,254,972,225**	2,241,626,749
General insurance premiums receivable	**466,393,118**	402,910,362
Barangay and sanggunian officials insurance premiums receivable	**390,475,583**	390,475,583
Pre-need insurance premiums receivable	**11,926,087**	12,286,610
Contributions and premiums receivable	**40,981,838,754**	42,039,527,451
Accounts for clearing	**(3,276,280,807)**	(6,124,206,700)
Allowance for impairment-contributions and premiums receivable	**(14,091,970,087)**	(14,033,588,519)
	23,613,587,860	**21,881,732,232**

Social Insurance

SI premiums receivable represent uncollected members' contributions which are required to be remitted by the different government agencies to the GSIS, as provided under Sections 5 and 6 of RA No. 8291. Monthly billings to GSIS members determine the increase in the balance of this receivable and application of collections and other pertinent adjustments determine the decrease. The increase in the balance of this account was mostly due to the increase in the number of contributing members from 1,621,070 in CY 2016 to 1,712,173 in CY 2017.

Agency class	2016	2017	Increase
Department of Education	792,092	853,326	61,234
National Government Agencies	294,642	312,742	18,100
Local Government Units	396,517	405,415	8,898
Government Owned and Controlled Corporations	60,280	61,710	1,430
Government Financial Institutions	28,389	29,787	1,398
Judiciary	27,588	27,623	35
Military	21,562	21,570	8
	1,621,070	1,712,173	91,103

Optional Life Insurance

OLI premiums receivable represent uncollected premiums on various optional life insurance products designed by the GSIS pursuant to Section 10 of CA No. 186 and Section 26 of RA No. 8291.

Pre-Need Insurance

PNI premiums receivable were recognized in the books whenever there were policies sold during its marketing years. Marketing activities have been discontinued since 1998. Movements in the existing balance pertain to collections and adjustments due to the continuous cleansing of the accounts.

Employees Compensation Insurance

ECI premiums receivable represent uncollected monthly contributions to the ECIF (i.e., one per cent of the employee's monthly basic salary or P100, whichever is lower).

General Insurance

GI premiums receivable represent uncollected premiums on non-life insurance policies/contracts issued by the GSIS, covering various government property, assets and interests pursuant to RA No. 656.

Accounts for clearing

Contributions and premiums receivable are presented at net of accounts for clearing amounting to P3.276 billion and P6.124 billion (as restated) in 2017 and 2016, respectively, to reflect the most conservative balance of the account. The accounts for clearing represent collections on premiums that have not yet been posted to the individual member's accounts due to timing differences. These unposted payments are mostly due to remittances for new members whose accounts are yet to be created in the GSIS database and those resulting from the late updating of members' data with the GSIS by their respective agencies.

The bulk of accounts for clearing pertain to unreconciled accounts (UA). Of the P4.897 billion balance of UA in 2017, transactions related to 2016 and prior years amount to P3.767 billion, which is P3.992 billion lower compared to the balance of P7.759 billion in 2016.

To address the remaining balance of accounts for clearing, the GSIS Operations Group continually updates service records by coordinating with Authorized Agency Officers (AAOs). The Electronic Billing and Collection System (EBCS) was also made available to the agencies thru their AAOs and Electronic Remittance File (ERF) handlers. This allows them to generate reports showing unmatched data and payments which might result to additional clarificatory items upon remittance. Starting October 28, 2017, GSIS has implemented a 100 per cent threshold on the matching of members' records and their accounts as defined in the agencies' remittance files to the records of GSIS.

8.1.2 Interests receivable

8.1.2.1 Interest receivable on loans

	2017	2016 Restated
Consolidated loan	**11,980,527,063**	11,526,517,086
Surcharge receivable on loans	**5,159,345,364**	5,159,345,364
Salary loan	**2,204,519,689**	2,123,521,162
Private loan	**823,153,174**	823,153,174
Emergency/calamity loans	**643,629,193**	653,616,523
Housing loan (REL*/DCS**)	**480,288,215**	520,651,265
Emergency loan assistance	**217,282,504**	224,171,435
Home emergency loan program	**212,125,036**	195,424,182
Ecard/ecard plus cash advance loan	**196,268,635**	200,949,354
Stock purchase loan	**184,779,460**	187,075,092
Educational assistance fund program loan	**133,302,959**	174,952,572
Summer one month salary loan	**80,605,062**	75,383,956
Pension loan	**10,214,871**	8,316,083
Educational assistance loan	**5,139,236**	2,399,299
Interim loan	**908,737**	908,737
Pensioners' restructured loan	**289,831**	286,407
Fly Philippine Air Lines loan	**236,817**	218,414
Pensioners' emergency loan	**136,138**	96,594
	22,332,751,984	21,876,986,699
Allowance for impairment - interest receivable on loans	**(8,686,941,738)**	(5,694,593,259)
	13,645,810,246	16,182,393,440

** Real estate loan*
***Deed of conditional sale*

8.1.2.2 Interest receivable on investments

	2017	2016 Restated
ROP notes and bonds	**5,140,798,521**	4,786,120,409
Corporate bonds	**576,871,158**	560,854,143

	2017	2016 Restated
Global peso notes	**102,664,379**	121,203,313
Investments in time deposits	**19,125,011**	136,893,333
	5,839,459,069	5,605,071,198

8.1.2.3 Other interest receivable

	2017	2016 Restated
Interest receivable - others	**20,986,101,919**	20,961,271,556
Allowance for impairment - interest receivable – others	**(63,834,070)**	(58,854,706)
	20,922,267,849	20,902,416,850

8.1.3 Due from reinsurer

	2017	2016 Restated
Due from reinsurer	**7,492,932,050**	6,097,537,804
Allowance for impairment - due from reinsurer	**(2,337,081,021)**	(2,077,351,109)
	5,155,851,029	4,020,186,695

Due from reinsurers account represents the share of reinsurers on the GI claims and losses. As at year-end, reinsurers' shares on losses were broken down as follows:

	2017	2016 Restated
Due from RI – unadjusted losses recoverable	**5,023,721,347**	3,737,629,765
Due from RI – facultative	**2,273,538,595**	2,155,656,119
Due from RI – treaty	**195,672,108**	204,251,920
	7,492,932,050	6,097,537,804

Reinsurers' share on unadjusted losses are initially accrued when losses incurred are covered by reinsurance. Changes in estimates of share on losses are recognized as addition to or deduction from the receivable account in the period on which the final adjustments of the claims or losses are made.

8.1.4 Loans receivable - others

	2017		
	Current	**Non-current**	**Total**
Consolidated loan	**22,091,957,023**	**164,318,521,503**	**186,410,478,526**
Policy loan	**1,333,506,496**	**22,826,576,702**	**24,160,083,198**
Emergency/calamity loan	**5,394,049,565**	**10,089,548,167**	**15,483,597,732**
Salary loan	**28,727,972**	**12,971,748,232**	**13,000,476,204**
Home emergency loan program	**974,018,092**	**7,358,851,685**	**8,332,869,777**
Educational assistance fund program loan	**560,344,566**	**2,441,090,924**	**3,001,435,490**
Private loan	**-**	**2,118,641,553**	**2,118,641,553**
Pension loan	**882,059,979**	**442,318,507**	**1,324,378,486**

	2017		
	Current	**Non-current**	**Total**
Ecard/ecard plus cash advance loan	**659,731**	**1,138,965,745**	**1,139,625,476**
Emergency loan assistance	**-**	**506,152,147**	**506,152,147**
Summer one month salary loan loan	**590,956**	**481,408,785**	**481,999,741**
Pensioner's restructured loan	**123,094,755**	**126,227,913**	**249,322,668**
Pensioner's emergency loan	**84,616,842**	**65,664,206**	**150,281,048**
Lease purchases	**-**	**111,401,704**	**111,401,704**
Interim loan	**-**	**89,703,188**	**89,703,188**
Stock purchase loan	**-**	**31,905,462**	**31,905,462**
Educational assistance loan	**-**	**2,094,163**	**2,094,163**
Fly Philippine Air Lines loan	**-**	**368,547**	**368,547**
Loans receivable - others	**31,473,625,977**	**225,121,189,133**	**256,594,815,110**
Allowance for impairment – loans receivable – others	**-**	**(22,582,335,471)**	**(22,582,335,471)**
	31,473,625,977	**202,538,853,662**	**234,012,479,639**

	2016 Restated		
	Current	Non-current	Total
Consolidated loan	21,648,804,466	153,937,792,428	175,586,596,894
Policy loan	1,404,892,041	23,688,251,998	25,093,144,039
Emergency/calamity loan	5,654,971,339	11,299,494,659	16,954,465,998
Salary loan	14,483,656	13,617,933,457	13,632,417,113
Home emergency loan program	933,459,508	8,523,917,723	9,457,377,231
Private loan	-	2,118,274,715	2,118,274,715
Educational assistance fund program loan	1,709,809,269	407,404,297	2,117,213,566
Ecard/ecard plus cash advance loan	2,395,850	1,343,571,664	1,345,967,514
Pension loan	1,020,502,817	260,759,427	1,281,262,244
Emergency loan assistance	-	542,255,019	542,255,019
Summer one month salary loan loan	319,977	518,496,650	518,816,627
Pensioner's emergency loan	119,365,386	94,613,878	213,979,264
Pensioner's restructured loan	122,383,701	83,164,542	205,548,243
Lease purchases	-	111,401,704	111,401,704
Interim loan	-	89,703,188	89,703,188
Stock purchase loan	-	32,683,668	32,683,668
Educational assistance loan	-	1,467,552	1,467,552
Fly Philippine Air Lines loan	-	367,634	367,634
Loans receivable – others	32,631,388,010	216,671,554,203	249,302,942,213
Allowance for impairment – loans receivable – others	-	(23,954,395,858)	(23,954,395,858)
	32,631,388,010	192,717,158,345	225,348,546,355

Consolidated loan

The consolidated loan is a loan program created in 2006 that merged five different loan products; salary loan, restructured salary loan, enhanced salary loan, emergency loan assistance, and summer one-month salary loan, under one account. By availing of the consolidated loan, a member automatically fully settles his/her obligations under any of the said loans (outstanding balances are deducted from the proceeds of the consolidated loan).

Beginning July 1, 2015, the Enhanced Conso-Loan Plus Program (ECLPP) was launched which offers a 14-month salary loan to members who have at least 25 years of paid premiums and 12-month salary loan to those with at least 15 years of service. Previously, the credit limit for these members was only ten times their salary. The program also extends the maximum payment term for the loan from six to ten years for members with at least ten years of paid premiums.

Consolidated loans granted to 578,103 borrowers in CY 2017 amounted to P115.176 billion and P101.440 billion in 2016 granted to 529,603 borrowers.

Policy loan (regular and optional policy loan)

Policy loan is a loan program which a member can avail of from his GSIS life insurance policy. Upon maturity of this loan, the GSIS is authorized to collect or deduct any remaining balance, inclusive of interest, penalties and surcharges, from whatever benefits that may be due to the borrower. Such authorization shall remain effective until full payment of the loan or any other outstanding obligation of the borrower to the GSIS.

Policy loans bear interest at 8 per cent compounded annually. The GSIS granted a total of P7.495 billion in policy loans to 306,361 borrowers in CY 2017 and P8.017 billion to 299,339 borrowers in CY 2016.

Emergency loan

The GSIS extends support to members affected by calamities or emergencies in the form of the emergency loan (EL) program. Loanable amount is P20,000 for those who have no outstanding EL account and P40,000 for those who have existing EL account and were hit by another calamity or contingency. The interest rate is 6 per cent computed in advance, payable in three years.

A calamity-hit area must be declared in a state of calamity by the Office of the President upon the recommendation of the National Disaster Risk Reduction and Management Council or by the Local Sanggunian, upon the recommendation of the Local Disaster Risk Reduction and Management Council before members working or residing in the said area become eligible to avail of the emergency loan.

Due to various calamities that hit the country, emergency loans granted to members amounted to P6.133 billion in CY 2017 and P7.777 billion in CY 2016.

Educational assistance fund program loan (EAFP)

This is a one-time loan in the amount of P4,000 for active members, regardless of salary, length of service, and status of agency and member accounts (i.e., up-to-date, in arrears or suspended). This is payable in five years with interest computed at 6 per cent per annum. One of the attractive features of this loan was the amortization of P20.00 per month while the principal amount of P4,000 shall become due only on the 60th month or at the end of the payment term. Granting of this loan was discontinued on December 27, 2013.

To address the concern of members whose loans were maturing in 2017and would have to pay the principal amount in full, the GSIS offered the Educational Assistance Loan II amounting to P10,000. This is payable in five years with interest computed at 6 per cent per annum computed in advance.

Since its first granting in July 2017, the GSIS has granted a total of P2.161 billion to 216,138 members.

Pensioners' restructured loan

In July 2011, the pensioners' restructured loan, also known as Choice of Loan Amortization Schedule for Pensioners, was offered to retiring members as an option for the settlement of their obligations. In CY 2017, P177.683 million was granted to 1,113 new availees of this loan, while in 2016, P156.429 million was granted to 1,025 availees.

Pensioners' emergency loan

In November 2013, in line with Presidential Proclamation (PP) No. 682, declaring a state of calamity in several areas affected by super typhoon Yolanda, the emergency loan was extended to pensioners residing in these areas.

The GSIS granted a total of P66.880 million in pensioners' emergency loans to 3,345 borrowers in CY 2017 and P88 million to 4,400 borrowers in CY 2016.

Home emergency loan program

In December 2013, in line with PP No. 682, declaring a state of calamity in several areas affected by super typhoon Yolanda, a one-time, non-renewable loan product was granted by the GSIS under BR No. 161 to address the pressing needs of active members working or residing in the areas that were identified as worst hit by typhoon Yolanda. A total of P11.607 billion was granted to 81,891 borrowers who have availed of this loan as of the end of the availment period in September 2014.

The balances of these accounts represent existing loan balances from borrowers prior to the suspension of all housing loan programs under BR No. 109 in 2011 and from those who availed of the restructuring program.

Allowance for Impairment

The roll forward analysis of allowance for impairment losses on loans and interest receivable - others is as follows:

	2017	2016 Restated
Balance, January 1	**23,954,395,858**	22,470,697,284
Provisions/(reversals)	**(1,372,060,387)**	1,483,698,574
	22,582,335,471	23,954,395,858

8.2 Lease receivables

Lease receivables consist of operating lease receivable amounting to P31.821 million and P34.095 million in CY 2017 and CY 2016, respectively.

8.3 Other receivables

	2017		
	Current	**Non-current**	**Total**
Due from officers and employees	**223,611,067**	**-**	**223,611,067**
Other receivables	**1,415,711,392**	**938,344,669**	**2,354,056,061**
	1,639,322,459	**938,344,669**	**2,577,667,128**
Allowance for impairment - other receivables	**(825,114,003)**	**(457,085,770)**	**(1,282,199,773)**
	814,208,456	**481,258,899**	**1,295,467,355**

	2016 Restated		
	Current	Non-current	Total
Due from officers and employees	210,141,888	-	210,141,888
Other receivables	1,528,818,633	865,485,379	2,394,304,012
	1,738,960,521	865,485,379	2,604,445,900
Allowance for impairment - other receivables	(3,931,711,921)	(242,000,437)	(4,173,712,358)
	(2,192,751,400)	623,484,942	(1,569,266,458)

9. INVENTORY

Inventory held for consumption

	2017	2016
Office supplies inventory	**8,988,768**	12,352,447
Other supplies and materials inventory	**38,487**	41,501
	9,027,255	12,393,948

10. INVESTMENT PROPERTY

Investment property consists of the following:

	2017				
	Big/medium ticket accounts	**Cancelled DCS**	**Foreclosed REL/REL redeemable**	**GSIS owned/ unawarded lots**	**Total**
Beginning balance - January 1, 2017	**51,475,997,111**	**9,583,148,310**	**225,257,387**	**1,545,696,781**	**62,830,099,589**
Additions:					
Gain on valuation	**3,755,538,733**	**955,666,668**	**58,686,628**	**899,598,728**	**5,669,490,757**
SL* reclassification/ unitization of accounts	**1,423,731,442**	**-**	**7,256,880**	**-**	**1,430,988,322**
	5,179,270,175	**955,666,668**	**65,943,508**	**899,598,728**	**7,100,479,079**
Deductions:					
Loss on valuation	**1,929,318,742**	**141,136,129**	**13,308,847**	**76,077,083**	**2,159,840,801**
SL* reclassification/ unitization of accounts	**596,678,019**	**10,641,800**	**4,641,879**	**819,026,623**	**1,430,988,321**

			2017		
Sale of various investment property	**23,844,100**	**43,010,090**	**-**	**1,320,000**	**68,174,190**
	2,549,840,861	**194,788,019**	**17,950,726**	**896,423,706**	**3,659,003,312**
	54,105,426,425	**10,344,026,959**	**273,250,169**	**1,548,871,803**	**66,271,575,356**

*Subsidiary ledger

			2016 Restated		
	Big /medium ticket accounts	Cancelled DCS	Foreclosed REL/REL redeemable	GSIS owned/ unawarded lots	Total
Beginning balance – January 1, 2016	47,686,147,434	9,242,170,907	203,784,792	1,492,689,122	58,624,792,255
Additions:					
Gain on valuation	5,010,544,704	596,999,597	38,221,268	294,745,410	5,940,510,979
SL* reclassification/ unitization of accounts	893,392,960	-	18,447,512	29,649,300	941,489,772
Various adjustments	-	384,613,598	-	-	384,613,598
Inclusion of various accounts		640,000	9,598,957	78,334,826	88,573,783
	5,903,937,664	982,253,195	66,267,737	402,729,536	7,355,188,132
Deductions:					
Loss on valuation	1,314,412,526	251,725,701	14,538,399	196,175,394	1,776,852,020
SL* reclassification/unitization of accounts	726,975,461	39,763,800	26,736,012	148,014,500	941,489,773
Various adjustments	-	320,380,165	340,074	-	320,720,239
Reclassification to property under litigation	72,700,000	-	-	3,947,983	76,647,983
Sale of various investment property	-	29,406,126	3,180,657	1,584,000	34,170,783
	2,114,087,987	641,275,792	44,795,142	349,721,877	3,149,880,798
	51,475,997,111	9,583,148,310	225,257,387	1,545,696,781	62,830,099,589

Big and medium ticket accounts are real property that were previously the subject of mortgage loan, commercial-industrial loan, or lease purchase agreement to corporations which were foreclosed or acquired through dacion en pago in favor of the GSIS due to non-payment.

Cancelled DCS pertain to real property or accounts which were titled in the name of GSIS and subsequently awarded to individuals, but were later on cancelled due to non-payment.

Foreclosed property are real property that were previously subjects of individual REL which were foreclosed in favor of GSIS due to non-payment.

GSIS-owned/unawarded lots are real property which were the subject of DCS accounts but were not awarded to individuals.

An investment property is reclassified if its value increases or decreases as a result of valuation, thereby changing its classification from one account to another.

The appraisal of big and medium ticket accounts in 2017 and 2016 resulting to net gain on valuation amounting P3.510 billion and P4.164 billion, respectively, has significantly contributed to the increase in the carrying value of the investment property account at P66.262 billion in CY 2017 and 62.821 billion in CY 2016.

11. PROPERTY, PLANT AND EQUIPMENT – NET

The property, plant and equipment account consists of the following (in millions):

Particulars	Land	Land improve-ments	Building and other structures	Machinery and equipment	Transporta-tion equip-ment	Furniture, fixtures and books	Heritage assets	Construc-tion in progress	Total
2017									
Cost:									
January 1, 2017	**7,900**	**193**	**5,548**	**2,045**	**161**	**110**	**659**	**71**	**16,687**
Additions/ acquisitions	**-**	**-**	**24**	**152**	**-**	**17**	**-**	**(44)**	**149**
Disposals	**-**	**-**	**-**	**(597)**	**(2)**	**(7)**	**-**	**-**	**(606)**
December 31, 2017	**7,900**	**193**	**5,572**	**1,600**	**159**	**120**	**659**	**27**	**16,230**
Accumulated depreciation:									
January 1, 2017	**-**	**171**	**3,133**	**1,241**	**46**	**49**	**-**	**-**	**4,640**
Depreciation	**-**	**-**	**228**	**231**	**17**	**19**	**-**	**-**	**495**
Disposals	**-**	**-**	**-**	**(536)**	**(2)**	**(3)**	**-**	**-**	**(541)**
December 31, 2017	**-**	**171**	**3,361**	**936**	**61**	**65**	**-**	**-**	**4,594**
Net book value - December 31, 2017	**7,900**	**22**	**2,211**	**664**	**98**	**55**	**659**	**27**	**11,636**

Particulars	Land	Land Impro-vements	Building and Other Structures	Machinery and Equipment	Transporta-tion Equipment	Furniture, Fixtures and Books	Heritage Assets	Construc-tion in Progress	Total
2016 Restated									
Cost:									
January 1, 2016	7,900	190	5,545	2,476	134	255	428	145	17,073
Additions/ acquisitions	-	3	5	358	44	31	2	(74)	369
Valuation	-	-	-	-	-	-	229	-	229
Reclassifications	-	-	(2)	2	-	-	-	-	-
Disposals	-	-	-	(114)	(17)	(3)	-	-	(134)
Adjustments	-	-	-	(677)	-	(173)	-	-	(850)
December 31, 2016	7,900	193	5,548	2,045	161	110	659	71	16,687
Accumulated depreciation:									
January 1, 2016	-	171	2,908	1,639	47	145	-	-	4,910
Depreciation	-	-	227	240	14	18	-	-	499
Reclassifications	-	-	(2)	2	-	-	-	-	-
Disposals	-	-	-	(87)	(15)	(3)	-	-	(105)
Adjustments	-	-	-	(553)	-	(111)	-	-	(664)
December 31, 2016	-	171	3,133	1,241	46	49	-	-	4,640
Net book value - December 31, 2016	7,900	22	2,415	804	115	61	659	71	12,047

Property, plant and equipment with a cost of P1.901 billion and P2.101 billion as at December 31, 2017 and 2016, respectively, are fully depreciated but are still serviceable.

12. INTANGIBLE ASSETS

	2017	2016 Restated
Cost, January 1	**1,184,175,370**	1,116,573,285
Additions/acquisitions	**97,108,392**	116,881,557
Disposals	**(157,091)**	-
Adjustments	**-**	(49,279,473)
December 31, 2017	**1,281,126,671**	1,184,175,369
Amortization and impairment, January 1	**882,690,267**	788,589,170
Amortization	**139,184,467**	136,664,711

Disposals	**(157,091)**	-
Adjustments	**-**	(42,563,614)
December 31, 2017	**1,021,717,643**	882,690,267
Net book value, December 31, 2017	**259,409,028**	301,485,102

13. OTHER ASSETS

13.1 Other assets – current

	2017	2016 Restated
Prepayments	**3,951,145**	3,951,145
Other assets	**1,100,000**	1,100,000
	5,051,145	5,051,145

13.2 Other assets – non-current

	2017	2016 Restated
Deposits	**7,663,549**	6,585,239
Prepayments	**5,062,389**	5,062,389
Other assets	**566,553,735**	566,553,735
	579,279,673	578,201,363
Accumulated impairment losses - other assets	**(21,311,884)**	(21,311,884)
	557,967,789	556,889,479

Property under litigation

Non-current other assets include property under litigation amounting to P545.242 million net of accumulated impairment losses. There were 17 properties which were previously recorded as investment property and were reclassified to Other Assets – Property Under Litigation as these accounts are either covered by the Comprehensive Agrarian Reform Program or with pending legal case.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2017	2016 Restated
Payables		
Accounts payable	**7,608,288,401**	7,156,162,388
Accrued benefits payable	**2,545,115,598**	3,557,206,037
Insurance/reinsurance premium payable	**694,611,944**	852,872,632
Due to officers and employees	**124,937,551**	29,613,150
	10,972,953,494	11,595,854,207
Financial liabilities designated at FVPL	**3,504,897,187**	6,331,817,496
	14,477,850,681	17,927,671,703

14.1 Payables

14.1.1 Accounts Payable

	2017	2016 Restated
Provision for estimated GI claims	**6,559,825,663**	5,632,560,470
GI claims, losses and benefits payable	**254,228,838**	436,780,784
Other accounts payable	**794,233,900**	1,086,821,134
	7,608,288,401	7,156,162,388

The change in the carrying amount of provision for estimated GI claims, from P5.633 billion in 2016 to P6.560 billion in 2017, was mainly due to the significant amount of insurance claim from Team Energy Corporation for machinery breakdown and business interruption amounting to P1.874 billion.

14.1.2 Accrued benefits payable

	2017	2016 Restated
Claims payable		
Social insurance		
Retirement	**1,258,269,845**	1,452,044,049
Life insurance	**605,239,370**	1,302,430,430
Pension	**444,119,020**	587,283,024
Survivorship	**97,063,900**	126,204,137
Funeral	**26,296,002**	23,153,985
Others	**69,323,288**	30,303,549
	2,500,311,425	3,521,419,174
Optional life insurance	**20,156,440**	16,479,442
Employee compensation insurance	**15,905,696**	11,886,764
Pre-need insurance	**8,742,037**	7,420,657
	2,545,115,598	3,557,206,037

Accrued benefits payable pertain to various claims due to members or policyholders as at December 31, 2017, but remain unpaid as of year-end. The liabilities for claims filed but unpaid as at December 31, 2017 are based on estimated amount per type of claim per member. The difference between estimate and final amount of claims are recognized as addition to or deduction from claims expense in the period in which the claim was processed or paid.

14.2 Financial liabilities designated at FVPL

This account consists of derivative liabilities arising from the negative fair value of derivative contracts held.

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or negotiated in over-the-counter markets.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative transaction is entered into, and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair values of derivatives are recognized in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of derivative contracts held are as follows:

Derivative contracts	**2017**	2016 Restated
Foreign exchange contracts		
Non-deliverable forwards	**(980,949,727)**	(1,825,808,905)
Deliverable forwards	**(267,672,888)**	(398,108,716)
Total foreign exchange contracts	**(1,248,622,615)**	(2,223,917,621)
Interest rate contracts		
Cross currency swaps interest rate swaps, non-deliverable	**(1,099,205,199)**	(1,878,182,706)
Cross currency swaps interest rate swaps, deliverable	**(1,157,069,373)**	(2,229,717,169)
Total interest rate contracts	**(2,256,274,572)**	(4,107,899,875)
	(3,504,897,187)	(6,331,817,496)

The increase in investment in derivatives, resulting to a decrease in derivative liabilities, is due increase in the valuation of the combined portfolio of forwards and cross currency swaps, settlement of derivative contracts in 2017, and the change in foreign exchange rate from USD1.00 to P49.720 in December 2016 to USD1.00 to P49.930 in December 2017.
As at December 31, 2017, the outstanding notional amount of GSIS currency forwards and swaps increased by P2.154 billion due to actual conversion of USD to peso and an increase in the combined portfolio of forwards and cross currency swaps. The terms to maturity of the notional amounts for derivative contracts as at December 31, 2017, are as follows:

	2017			
	Within 1 year	**1 to 5 years**	**6 to 10 years**	**Total**
Foreign exchange contracts				
Non-deliverable forwards	**21,611**	**27,940**	**-**	**49,551**
Deliverable forwards	**1,544**	**3,471**	**-**	**5,015**
Total foreign exchange contracts	**23,155**	**31,411**	**-**	**54,566**
Interest rate contracts				
Cross currency swaps interest rate swaps, non-deliverable	**3,144**	**7,352**	**-**	**10,496**
Cross currency swaps interest rate swaps, deliverable	**3,964**	**7,095**	**1,412**	**12,471**
Total interest rate contracts	**7,108**	**14,447**	**1,412**	**22,967**
	30,263	**45,858**	**1,412**	**77,533**

	2016			
	Within 1 year	1 to 5 years	6 to 10 years	Total
Foreign exchange contracts				
Non deliverable forwards	13,369	26,043	-	39,412
Deliverable forwards	633	5,016	-	5,649
Total foreign exchange contracts	14,002	31,059	-	45,061
Interest rate contracts				
Cross currency swaps interest rate swaps,				

	2016			
	Within 1 year	1 to 5 years	6 to 10 years	Total
non-deliverable	6,320	10,496	-	16,816
Cross currency swaps interest rate swaps, deliverable	5,340	11,059	1,412	17,811
Total interest rate contracts	11,660	21,555	1,412	34,627
	25,662	52,614	1,412	79,688

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2017	2016 Restated
Due to BIR	**70,279,314**	297,684
Due to Local Government Unit (LGU)	**527,387**	867,404
	70,806,701	1,165,088

15.1 Due to BIR

Due to BIR pertains to taxes withheld by the GSIS from its suppliers, consultants, brokers and other service providers as well as its documentary stamp tax and premium tax liabilities due for remittance to the BIR.

15.2 Due to LGUs

Due to LGUs account represents the fire service taxes payable to the City Government of Pasay.

16. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2017	2016 Restated
Unearned revenue/income		
Reserve for unearned premiums	**1,350,953,484**	1,239,847,850
Other unearned revenue/income	**50,595,873**	148,224,579
Deferred credits		
Other deferred credits	**14,843,337**	426,822,392
	1,416,392,694	1,814,894,821

16.1 Other deferred credits

Other deferred credits include various collections (premium and loan payments) credited in the bank but not yet identified, classified and distributed. It includes premium and loan collections amounting to P69.005 million in 2017 and P421.504 million in 2016, and other payments credited in the bank but not yet booked in their respective accounts.

16.2 Reserve for unearned premiums

Pursuant to Section 219 of RA No. 10607, also known as “The Insurance Code”, which was approved on August 15, 2013, every insurance company, other than life insurance companies, shall maintain a reserve for unearned premium income on its policies in force, which shall be accounted for in the statement of financial position as a liability.

Increase in unearned premiums was mainly due to increased production in the last half of 2017 within which rates or factors applied to compute unearned income for these periods are high.

16.3 Other unearned revenue/income

This account pertains to advance rental payments from various lessees of investment property. The amount is applied to the monthly rent due, as stated in the lease contract.

17. PROVISIONS

This account consists of the following:

	2017	2016 Restated
Current		
Leave benefits payable	**656,108,237**	605,086,209
Non-current		
Other provisions	**139,200,000**	132,200,000
	795,308,237	737,286,209

17.1 Leave benefits payable

This account represents the accrual of money value of the earned leave credits of GSIS personnel.

17.2 Other provisions

This account pertains to liabilities for cases where it is probable that the GSIS will have to settle an obligation and a reliable estimate of the amount can be made.

18. OTHER PAYABLES

This account consists of the following:

	2017	2016 Restated
Return premiums payable	**254,711,772**	259,236,150
Dividends payable	**34,563,898**	55,117,163
Other payables	**1,351,460,425**	1,313,660,208
	1,640,736,095	1,628,013,521

18.1 Return premiums payable

Return premiums payable pertain to insurance premium overpayments due mainly to rate reduction on motor car insurance.

18.2 Dividends payable

In 2017, cash dividends of P24 million were granted to GSIS OLI policyholders whose life insurance coverage have been in force for at least one year as at December 31, 2016, except for the following:

- Policies which were terminated in CY 2016 due to death, maturity, or surrender; and

- Polices which lapsed in CY 2016.

18.3 Other payables

This account includes adjustments for unreleased checks and refunds to members pertaining to loan overpayments.

19. TRUST LIABILITIES

This account consists of the following:

	2017	2016 Restated
Trust liabilities	**649,836,426**	916,998,190
Guaranty/security deposits payable	**119,519,390**	106,735,338
Trust liabilities - disaster risk reduction and management fund	**578**	1,950,000
	769,356,394	1,025,683,528

Trust liabilities include the amount of statutory expenses deducted from the salaries of GSIS employees due for remittance to the GSIS Provident Fund, Philippine Health Insurance Corporation and Home Development Mutual Fund.

Guaranty/security deposits payable pertains to liabilities arising from cash received by the GSIS to guaranty performance by suppliers, contractors and other service providers of the terms of the contracts entered into with the agency.

20. RETAINED EARNINGS/SURPLUS

This account consists of the following:

	2017	2016 Restated
Appropriated		
SIF	**994,275,000,000**	910,819,000,000
OLIF	**11,844,000,000**	11,281,000,000

	2017	2016 Restated
GIF	**11,520,000,000**	10,886,000,000
ECIF	**8,989,000,000**	8,678,000,000
PNF	**1,602,000,000**	1,782,000,000
PRF	**27,487,087**	27,487,087
	1,028,257,487,087	943,473,487,087
Unappropriated		
Beginning balance, January 1	**58,424,985,598**	67,679,622,991
Add/(deduct):		
Net income	**94,705,786,476**	56,104,362,607
Increase in appropriations	**(84,784,000,000)**	(65,326,000,000)
Dividends declared	**(4,615,350)**	(33,000,000)
	68,342,156,724	58,424,985,598
	1,096,599,643,811	1,001,898,472,685

20.1 Appropriated Surplus

20.1.1 Actuarial estimates and valuation

Pursuant to Section 38 of RA No. 8291, the GSIS makes periodic actuarial examination and valuation of its funds in accordance with accepted actuarial principles and appropriates the surplus of each fund to ensure the fulfillment of estimated future obligations.

The amounts for appropriation from the surplus of the SIF, OLIF, PNF and ECIF are estimated by the GSIS Actuarial and Risk Management Group (ARMG) based on certain assumptions which are in accordance with generally accepted principles of actuarial valuation.

Social Insurance Fund

The amounts for appropriation from the surplus of the SIF are estimated by computing the excess of the present value of future benefits over the present value of future contributions or net premiums. Factors such as contributions, salaries, interest, persistency, maturity, mortality and actual experience are considered.

The benefits considered in estimating the amounts for appropriation from the surplus of the SIF are based on the provisions of RA No. 8291. The benefits are as follows:

Social security

- Old-age/retirement, including separation;
- Disability;
- Survivorship; and
- Funeral.

Compulsory life

- Life Endowment Policy (LEP); and
- Enhanced Life Policy (ELP).

The estimated amounts for appropriation from the surplus of the SIF are as follows:

	2017	2016
Old age benefits	**772,182,771,110**	703,404,364,933
Survivorship benefits	**129,560,752,358**	117,537,806,085
Policies in force	**62,009,667,314**	62,121,128,776
Disability benefits	**22,706,497,925**	20,472,301,308
Burial benefits	**6,490,688,420**	5,962,002,239
Contingencies	**1,240,193,346**	1,242,422,576
	994,190,570,473	910,740,025,917

Optional Life Insurance Fund

The OLI Program was designed to provide for the additional insurance needs of GSIS members and their dependents. Products include life insurance, hospitalization, college assurance and redemption insurance.

The estimated amounts for appropriation from the surplus of the OLIF are as follows:

	2017	2016
Policies in force		
Optional additional and UOLI	**2,437,553,100**	2,931,936,785
College education assurance plan	**331,500,811**	282,901,954
Hospitalization insurance plan	**80,196**	106,928
	2,769,134,107	3,214,945,667
Redemption insurance		
Consolidated loan	**7,799,750,764**	7,124,404,548
Mortgage	**212,358,247**	212,358,247
Emergency loan	**70,728,520**	87,340,847
Sales	**67,724,777**	67,643,950
Pension loan	**46,551,999**	46,292,160
Pensioners' emergency loan	**7,618,268**	11,084,006
Pensioners' restructured loan	**6,692,932**	5,872,251
eCard plus cash advance	**600,000**	-
	8,212,025,507	7,554,996,009
Contingencies	**862,787,488**	510,073,051
	11,843,947,102	11,280,014,727

Pre-need Fund

GSIS entered into the pre-need business by virtue of BR No. 211, dated May 27, 1993, which approved the marketing of GSIS Pre-Need products to all GSIS members and retirees. Such pre-need products included Memorial Plans, Family Hospitalization Plus Plan and Anti-Inflationary Education Plan. The marketing of all GSIS pre-need products was stopped in 1998.

The estimated amounts for appropriation from the surplus of the PNF are as follows:

	2017	2016
Edu-Child	**1,790,467,790**	2,141,987,487
Memorial	**85,162,242**	80,501,957
Health	**960,566**	1,921,131
	1,876,590,598	2,224,410,575

Employees' Compensation Insurance Fund

The ECI program provides government employees and their dependents with income benefits in the event of work-connected sickness, injury or death. The benefits considered in the valuation of the amounts for appropriation from the ECIF surplus are based on the provisions of PD No. 626, as amended. The benefits are as follows:

- Disability benefit;
- Death benefit;
- Medical benefit;
- Rehabilitation benefit; and
- Funeral benefit.

The estimated amounts for appropriation from the surplus of the ECIF are as follows:

	2017	2016
Future claims	**8,784,631,911**	8,513,984,282
Occupational safety fund	**86,145,000**	57,969,600
Contingencies	**63,547,831**	60,397,989
ECC operating fund	**51,330,600**	42,468,900
Claims pending settlement	**2,335,904**	1,708,133
Rehabilitation services	**855,000**	855,000
	8,988,846,246	8,677,383,904

General Insurance Fund

The Insurance Group (IG) estimates the amounts to be set aside from the surplus of the GIF to protect against potential future losses. IG adopted the new Valuation Standards for Non-Life Insurance Policy reserves per Insurance Comission (IC) Circular No. 2016-67 dated December 28, 2016 where policy reserves refer to the aggregate of premium and claims liabilities.

The estimated reserve for contingencies is the Unearned Premium Reserves (UPR) as of December 31, 2017.

The claim liabilities reserves set aside for the payment of possible future losses are estimated taking into consideration the following:

- GI claims and losses including provision for estimated claims as of December 2017;

- Average losses incurred but not reported (IBNR) from CY 2011 to 2015;

- IBNR for typhoons Urduja and Vinta;

- Zero Margin for Adverse Deviation (MfAD), the purpose of which is to consider the variability of claims experience within a class of business, the diversification between classes of business and conservatism in the best estimate; and

- Unpaid connectivity fees for the use of Certification of Cover Verification Facility (COCVF).

The estimated amounts for appropriation from the surplus of the GIF are as follows:

	2017	2016
Losses	**6,951,845,924**	1,178,029,347
Contingencies	**1,350,953,484**	6,627,314,703
	8,302,799,408	7,805,344,050

20.1.2 Legal contingencies

The appropriations for legal contingencies pertain to cases wherein there are adverse lower court or quasi-judicial court decisions against GSIS, but for which GSIS has filed an appeal and believes that the outcome will be in its favor. The amounts of P83.477 million and P3.217 billion were appropriated from the surplus of the SIF and GIF, respectively, for legal contingencies.

20.1.3 Appropriated Surplus

In compliance with Section 34 of RA No. 8291, the GSIS maintains appropriated surplus to ensure the fulfillment of GSIS' future obligations, as estimated through actuarial evaluations.

GSIS records increase in appropriated surplus to the extent that can be covered by the accumulated earnings of each fund except for the PNF. For the PNF, the GSIS maintains appropriated surplus to the extent of the fund's total surplus.

Social Insurance Fund

The amounts appropriated for the SIF are as follows:

	2017	2016 Restated
Old age benefits	**772,183,000,000**	703,404,400,000
Survivorship benefits	**129,560,760,000**	117,537,900,000
Policies in force	**62,009,868,000**	62,121,200,000
Disability benefits	**22,707,000,000**	20,472,400,000
Burial benefits	**6,490,689,000**	5,962,050,000

	2017	2016 Restated
Contingencies	**1,323,683,000**	1,321,050,000
	994,275,000,000	910,819,000,000

Optional Life Insurance Fund

The amounts appropriated for the OLIF are as follows:

	2017	2016 Restated
Policies in force		
Optional additional and UOLI	**2,437,560,000**	2,932,000,000
College education assurance plan	**331,509,000**	282,950,000
Hospitalization insurance plan	**81,000**	150,000
	2,769,150,000	3,215,100,000
Redemption insurance		
Consolidated loan	**7,799,760,000**	7,124,500,000
Mortgage	**212,360,000**	212,500,000
Emergency loan	**70,730,000**	87,500,000
Sales	**67,730,000**	67,700,000
Pension loan	**46,560,000**	46,500,000
Pensioners' emergency loan	**7,620,000**	11,100,000
Pensioners' restructured loan	**6,700,000**	6,000,000
eCard plus cash advance	**600,000**	-
	8,212,060,000	7,555,800,000
Contingencies	**862,790,000**	510,100,000
	11,844,000,000	11,281,000,000

Pre-Need Fund

The amounts appropriated for the PNF are as follows:

	2017	2016 Restated
Edu-Child	**1,591,290,000**	1,770,000,000
Memorial	**9,900,000**	11,100,000
Health	**810,000**	900,000
	1,602,000,000	1,782,000,000

Employees' Compensation Insurance Fund

The amounts appropriated for the ECIF are as follows:

	2017	2016 Restated
Future claims	**8,784,700,000**	8,514,000,000
Occupational safety fund	**86,145,000**	58,000,000
Contingencies	**63,600,000**	60,500,000
ECC operating fund	**51,350,000**	42,500,000
Claims pending settlement	**2,350,000**	2,000,000
Rehabilitation services	**855,000**	1,000,000
	8,989,000,000	8,678,000,000

General Insurance Fund

The amounts appropriated for the GIF are as follows:

	2017	2016 Restated
Losses	**6,952,000,000**	1,178,000,000
Contingencies	**4,568,000,000**	9,708,000,000
	11,520,000,000	10,886,000,000

Property Replacement Fund

The PRF balance of P27.487 million in 2017 and 2016 represents the amount appropriated and remitted by the National Government for the restoration of damaged government property.

21. SERVICE AND BUSINESS INCOME

This account is composed of the following:

	2017	2016 Restated
Business income		
Members' contribution	**101,810,919,959**	93,241,571,724
Interest income	**48,076,313,158**	45,851,296,316
Insurance/reinsurance premium	**5,212,824,752**	4,319,190,373
Dividend income	**3,554,724,711**	3,435,040,116
Rent/lease income	**495,393,853**	480,355,805
Fines and penalties - business income	**424,069,957**	345,283,082
Other business income	**2,095,015,302**	1,678,344,329
	161,669,261,692	149,351,081,745
Service income		
Fees and commissions income	**529,451,184**	1,107,534,444
Other service income	**937,308**	903,211
	530,388,492	1,108,437,655
	162,199,650,184	150,459,519,400

21.1 Members' contribution

	2017	2016 Restated
Social insurance contributions	**97,940,417,909**	88,962,081,429
Employee compensation insurance premium	**2,480,311,226**	2,901,316,387
Optional insurance premium	**1,382,322,178**	1,374,096,221
Pre-need insurance premium	**7,868,646**	4,077,687
	101,810,919,959	93,241,571,724

21.2 Interest income

	2017	2016 Restated
Interest on loans		
Consolidated loan	**18,470,086,917**	17,313,914,022
Policy loans	**1,498,130,093**	1,585,156,166
Emergency/calamity loans	**1,174,590,472**	1,335,962,434
Home emergency loan program	**502,996,769**	568,367,154
Salary loans	**412,793,246**	325,086,294
Pension loan	**223,604,292**	214,186,301
Real estate loans	**218,373,997**	191,731,440
Educational assistance fund program loan	**145,717,971**	136,536,822
Deeds of conditional sale	**97,211,785**	66,194,706
Ecard/ecard plus cash advance loan	**48,584,747**	41,984,849
SOS loan	**26,144,857**	23,669,470
Emergency loan assistance	**26,137,867**	21,383,926
Pensioners' restructured loan	**21,422,345**	18,397,465
Pensioners' emergency loan	**17,600,535**	25,174,669
Stock purchase loan	**7,252,234**	(591,487)
Educational assistance loan	**2,734,890**	326,038
Fly PAL	**322,335**	355,725
Private loans	**17,990**	59,916
Interim loans	**-**	9,122,666
	22,893,723,342	21,877,018,576
Interest on financial assets		
ROP notes and bonds	**21,255,547,996**	20,229,342,444
Corporate bonds	**2,998,678,342**	2,609,531,180
Time deposits	**563,753,727**	896,860,075
Global peso notes	**355,580,643**	233,425,586
	25,173,560,708	23,969,159,285
Other interest income		
Premium arrearages	**9,029,108**	5,057,021
Others - interest income from advances	**-**	61,434
	9,029,108	5,118,455
	48,076,313,158	45,851,296,316

21.3 Rent/lease income

	2017	2016 Restated
Rent income from investment property	**330,249,843**	326,207,831
Rent income from PPE	**165,144,010**	154,147,974
	495,393,853	480,355,805

22. GAINS

	2017	2016 Restated
Gain from changes in fair value of financial instruments	**97,924,886,830**	106,867,064,314

	2017	2016 Restated
Gain on foreign exchange	**6,378,744,134**	10,118,293,230
Gain from changes in fair value of investment property	**5,669,490,723**	5,850,938,880
Gain on sale/redemption/transfer of investments	**2,001,300,820**	4,930,263,867
Gain on sale of investment property	**4,605,310**	51,520,078
Gain on sale of property, plant and equipment	**136,909**	127,818
	111,979,164,726	127,818,208,187

23. OTHER NON-OPERATING INCOME

	2017	2016 Restated
Reversal of impairment loss	**16,623,517**	288,379,286
Sale of unserviceable property	**4,736,237**	2,529,843
Miscellaneous income	**986,117,449**	245,022,191
	1,007,477,203	535,931,320

24. MAINTENANCE AND OTHER OPERATING EXPENSES

24.1 Members' benefits

	2017	2016 Restated
Claims and benefits		
Social Insurance	**91,975,682,440**	85,164,538,362
Optional Life Insurance	**928,246,012**	911,140,850
Employee Compensation Insurance	**220,846,378**	223,277,942
Pre-need Insurance	**213,833,428**	302,522,415
	93,338,608,258	86,601,479,569

24.2 Repairs and maintenance

	2017	2016 Restated
Machinery and equipment	**205,245,923**	155,223,853
Buildings and other structures	**27,790,464**	26,544,969
Transportation equipment	**6,364,021**	5,731,723
Furniture and fixtures	**1,683,510**	1,811,292
	241,083,918	189,311,837

24.3 General services

	2017	2016 Restated
Security services	**159,796,740**	140,678,121
Janitorial services	**62,362,802**	60,134,282
Other general services	**784,656**	620,676
Environment/sanitary services	**421,315**	472,375
	223,365,513	201,905,454

24.4 Taxes, insurance premiums and other fees

	2017	2016 Restated
Insurance expenses	**129,346,423**	131,464,492
Taxes, duties and licenses	**44,973,562**	149,057
Fidelity bond premiums	**14,583,384**	12,726,803
	188,903,369	144,340,352

24.5 Utility expenses

	2017	2016 Restated
Electricity expenses	**141,885,924**	134,898,976
Water expenses	**15,844,996**	19,609,588
	157,730,920	154,508,564

24.6 Communication expenses

	2017	2016 Restated
Postage and courier services	**85,864,903**	77,575,400
Telephone expenses	**44,317,859**	46,359,561
Internet subscription expenses	**25,575,697**	20,572,548
Cable, satellite, telegraph and radio expenses	**613,771**	600,845
	156,372,230	145,108,354

24.7 Supplies and materials expense

	2017	2016 Restated
Office supplies expenses	**80,972,619**	88,138,837
Fuel, oil and lubricants expenses	**9,309,619**	9,051,364
Medical, dental and laboratory supplies expenses	**385,722**	241,550
Semi-expendable furniture, fixtures and books expenses	**148,294**	141,497
Other supplies and materials expenses	**6,742,747**	5,754,621
	97,559,001	103,327,869

24.8 Training and scholarship expenses

Training and scholarship expenses consist of training expenses amounting to P88.328 million and P75.442 million in CY 2017 and CY 2016, respectively.

24.9 Professional services

	2017	2016 Restated
Auditing services	**49,987,147**	41,153,119
Consultancy services	**6,288,992**	4,783,373
	56,276,139	45,936,492

24.10 Traveling expenses

Traveling expenses consist of local traveling expenses amounting to P33.442 million and P32.549 million in CY 2017 and CY 2016, respectively.

24.11 Labor and wages

Labor and wages consist of expenses on internship program representing allowances for student trainees amounting to P855,025 and P917,543 in CY 2017 and CY 2016, respectively.

24.12 Other maintenance and operating expenses

	2017	2016 Restated
Underwriting expenses	**2,820,889,971**	1,630,122,094
Crop/non-crop insurance benefits	**628,747,961**	494,449,145
Fees and commission expenses	**379,273,465**	962,092,970
Advertising, promotional and marketing expenses	**106,728,065**	132,028,700
Litigation/acquired assets expenses	**78,357,907**	56,997,994
Rent/lease expenses	**58,913,733**	53,992,425
Major events and conventions expenses	**26,021,087**	23,710,280
Directors and committee members' fees	**11,640,000**	8,864,000
Representation expenses	**7,211,350**	6,396,397
Membership dues and contributions to organizations	**2,801,766**	2,791,590
Subscription expenses	**755,373**	760,593
Other maintenance and operating expenses	**11,123,644**	125,988,129
	4,132,464,322	3,498,194,317

25. PERSONNEL SERVICES

25.1 Salaries and wages

	2017	2016 Restated
Salaries and wages - regular	**1,393,661,983**	1,462,724,234
Salaries and wages - casual/contractual	**80,715,139**	70,289,963
	1,474,377,122	1,533,014,197

25.2 Other compensation

	2017	2016 Restated
Year end bonus	**247,531,165**	242,754,859
Overtime and night pay	**111,375,576**	104,555,795
Personnel economic relief allowance (PERA)	**111,175,590**	113,876,247
Representation allowance (RA)	**42,493,399**	44,686,299
Transportation allowance (TA)	**29,224,401**	30,534,063
Clothing/uniform allowance	**21,568,000**	25,056,000
Cash gift	**13,501,000**	13,986,750
Longevity pay	**8,979,654**	8,829,499

	2017	2016 Restated
Hazard pay	**707,215**	701,764
Subsistence allowance	**117,180**	116,240
Laundry allowance	**41,850**	41,514
Other bonuses and allowances	**767,013,364**	933,910,412
	1,353,728,394	1,519,049,442

25.3 Personnel benefit contributions

	2017	2016 Restated
Provident/welfare fund contributions	**626,897,274**	658,099,107
Retirement and life insurance premiums	**167,116,452**	175,429,615
PhilHealth contributions	**12,355,813**	12,710,466
Pag-IBIG contributions	**3,233,981**	3,329,270
Employees compensation insurance premiums	**3,221,569**	3,281,994
	812,825,089	852,850,452

25.4 Other personnel benefits

	2017	2016 Restated
Terminal leave benefits	**33,824,488**	49,445,032
Retirement gratuity	**1,300,000**	1,510,000
Other personnel benefits	**67,084,032**	68,565,240
	102,208,520	119,520,272

25.5 Total compensation and benefits of key management personnel

	2017	2016 Restated
Salaries and wages	**75,583,023**	91,660,448
Other benefits	**36,507,856**	50,448,838
Retirement costs	**4,499,176**	5,023,398
	116,590,055	147,132,684

26. FINANCIAL EXPENSES

Financial expenses consist of other financial charges which include expenses and other fees pertaining to investments such as broker’s commission, charges for foreign currency transactions and Philippine Depository and Trust Corporation (PDTC) fees. As at December 31, 2017 and 2016, other financial charges amount to P123.143 million and P131.981 million, respectively.

27. NON-CASH EXPENSES

27.1 Depreciation

	2017	2016 Restated
Machinery and equipment	**230,845,422**	240,256,830
Buildings and other structures	**227,363,509**	226,836,170
Furniture, fixtures and books	**18,620,113**	18,490,833
Transportation equipment	**17,216,978**	14,010,865
Land improvements	**335,290**	76,011
	494,381,312	499,670,709

27.2 Amortization

Amortization includes amortization of intangible assets amounting to P139.184 million and P136.665 million in CY 2017 and CY 2016, respectively.

27.3 Impairment loss

	2017	2016 Restated
Other receivables	**203,411,342**	635,307,664
Property, plant and equipment	**61,371,330**	146,862,635
Loans and receivables	**(1,147,928,752)**	4,646,263,467
Investment in stocks	**-**	24,573,494
Other assets	**-**	661,831
	(883,146,080)	5,453,669,091

27.4 Losses

	2017	2016 Restated
Loss from changes in fair value of financial instruments	**66,166,029,936**	109,467,250,620
Loss on foreign exchange	**6,280,154,191**	4,969,848,448
Loss on sale/redemption/transfer of investments	**3,461,900,769**	4,706,702,961
Loss from changes in fair value of investment property	**2,159,840,766**	1,687,279,921
Loss on sale of property, plant and equipment	**136,909**	127,818
Loss on sale of investment property	**-**	362,856,367
	78,068,062,571	121,194,066,135

28. FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION

	2017	2016 Restated
Financial assistance to government corporations	**80,751,900**	75,490,500
Financial assistance/subsidy/contribution-others	**-**	298,250
	80,751,900	75,788,750

This account includes the GSIS share in the ECC and Occupational Safety and Health Center (OSHC) budget for the year as approved by the DBM and expenses incurred in the conduct of emergency relief operations.

29. COMMITMENTS

29.1 Operating lease commitments – GSIS as lessee

GSIS has a total of 16 operating lease commitments for office space, 11 of which are expiring in 2018 and five in 2019. All contracts of lease entered into with GSIS as lessee may be pre-terminated at any time by giving a 60-day prior written notice to the adverse party. Other lease agreements are renewed on year to year basis.

As at December 31, 2017, the expected rental expenses on these operating lease commitments are as follows:

Due	Amount
Within one year	35,838,228
After one year	9,594,766

An operating lease commitment was also entered into by the GSIS for the rental of office equipment having a total contract price of P12.342 million effective July 1, 2014 to December 31, 2016 and has extended contracts up to December 31, 2017.

The GSIS has also entered into a lease contract on October 26, 2017 with a shuttle bus company to provide three units of shuttle buses for the GSIS Head Office to improve the efficiency of its operation and delivery of services to its members. The total contract price is P12.294 million for a period of 20 months which is subject to yearly performance evaluation/assessment to ensure satisfactory level of performance in maintenance throughout the term of the contract.

Rental expense recognized under "Other Maintenance and Operating Expenses" amounted to P58.914 million in CY 2017 and P53.992 million in CY 2016 (see Note 24.12).

29.2 Operating lease commitments – GSIS as lessor

GSIS has entered into several commercial property leases on its property. These leases have terms of one to 25 years. The lessees of these property consist of private and government entities. The investment property account has ten property under lease with 29 existing contracts while the property and equipment account has two property under lease with seven existing contracts.

Minimum rental receivables for PPE under operating leases as at December 31, 2017 and 2016 are as follows:

Due	**2017**	2016
Within one year	**164,649,330**	162,448,597
After one year but not more than five years	**215,714,949**	380,264,279

Rental income from PPE amounted to P165.144 million in CY 2017 and P154.148 million in CY 2016 (see Note 21.3).

Meanwhile, minimum and maximum rentals for investment property under operating leases as at December 31, 2017 are as follows:

	Minimum	Maximum
Less than one year to one year	8,842	25,338,538
More than one year to five years	787,685	5,145,000
More than five years	159,500	109,237,891

Rental income from investment property amounted to P330.250 million in 2017 and P326.208 million in 2016 (see Note 21.3).

30. ADMINISTRATIVE EXPENSE LOADING

Pursuant to Section 35 of RA No. 8291, a maximum expense loading of 12 per cent of the yearly revenues from all sources may be disbursed for administrative and operational expenses except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.

For CY 2017, the administrative expense loading of the SIF is 2.81 per cent of total income net of investment expenses, which is below the allowable limit of 12 per cent.

31. GSIS FEES AND COMMISSIONS

The SIF, being the administrator of the GIF, OLIF and ECIF, charges the administered funds with administration fees, marketing commissions, and management fees, as follows:

- Ten per cent administration fee based on the Optional and GI net premiums retained;

- Twenty per cent marketing commission based on GI net premiums retained; and

- Management fee for ECIF is based on the ratio of EC claims to total claims (except GI claims) multiplied by the sum of personnel services and operating expenses of the GSIS.

The revenue accounts pertaining to these fees in the SIF financial statements and the expense accounts under the individual financial statements of the Administered Funds are eliminated upon consolidation of the financial statements of all Funds.

32. RECLASSIFICATIONS AND RESTATEMENTS

32.1 Reclassifications

The following accounts pertaining to CY 2016 were reclassified to be comparable with CY 2017 figures:

	From	To	Amount
Reclassification of expenses on E-card to SI claims, losses and benefits	Other financial charges	Members' benefits	16,974,456
Reclassification of loss on sale of property and equipment to impairment loss	Losses	Impairment loss	146,862,635
Reversal of interest income on real estate loans and deeds of conditional sale accrued beyond six months wherein reversals were all charged against CY 2016 profit or loss including that which pertain to 2015 and prior years	Business income	Unappropriated surplus, beginning balance	805,811,521

32.2 Restatements

Below is the summary of the financial impact of the restatement of the 2016 financial statements:

Prior Period Adjustments	Income	Expenses	Assets	Liabilities	Net Worth
Adjustment due to cleansing of migrated balances of various member related accounts			(880,333,450)		(880,333,450)
Reversal of prior years' interest income on housing loan accounts which are accrued in excess of 6 months and duplicate accounts due to cleansing of IP accounts	25,672,620		274,596,821		274,596,821
Correction of entry made on the collections from the City Government of Pasig regarding settlement of SCA #3488 per Board Resolution No. 191 for the account of Meat Packing Corp.	(999,200)		(999,200)		(999,200)
Reversal of prior years' foreclosure expenses, capital gains, documentary stamp and real property taxes pertaining to cancelled managers' checks issued in prior years		(29,381,283)		(24,437,765)	24,437,765
Adjustment of Homeland Property account recorded as Property under Litigation due to cleansing of account			(123,241,600)		(123,241,600)
Adjustments due to cleansing of accounts payable pertaining to long outstanding accounts				(3,518,279)	3,518,279

Prior Period Adjustments	Income	Expenses	Assets	Liabilities	Net Worth
Dropping from the books of assets acquired from 2016 and below due to the implementation of capital threshold below P15,000 on property accountability issued prior to 2017		18,587,316	74,062,868		74,062,868
Adjustments made in relation with items included in the COA-AOM 2016 GDAS-005 regarding items not found during the 2016 inventory undertaking but were already verified and found or recorded as disposed	486,045,102		337,919,366		337,919,366
Reclassification and adjustment of non-admitted assets and contingent income to admitted assets in compliance with the recommendation of COA			21,689,947,101		21,689,947,101
Adjustment due to change in accounting treatment of rental expense for Quezon City branch office's per COA-AOM-18-007		550,314		550,314	(550,314)
Inclusion to investment property account of 10 properties in Baguio per COA AOM 2018-06			9,514,550		9,514,550
	510,718,522	**(10,243,653)**	**21,381,466,456**	**(27,405,730)**	**21,408,872,186**

33. COMPLIANCE WITH COA CIRCULAR NO. 2017-004

As of December 31, 2017, the GSIS has adopted the Revised Chart of Accounts (RCA) for government corporations in accordance with COA Circular No. 2016-006 dated December 29, 2016 and has effected changes in the presentation of its financial statements for purposes of compliance with the requirements on the preparation of financial statements and other related financial reports for submission to COA as prescribed under COA Circular No. 2017-004 dated December 13, 2017.

34. EXEMPTION FROM TAX

Pursuant to Section 39 of RA No. 8291, the GSIS, its assets, revenues including all accruals thereto, and benefits paid are exempted from all taxes, assessments, fees, charges or duties of all kind.

35. COMPLIANCE WITH REVENUE REGULATIONS

In compliance with the requirements set forth by Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2017.

The taxes and licenses paid and accrued during the year are as follows:

Withholding taxes

	2017	2016
Tax on compensation and benefits	**483,508,033**	550,988,628
Value added taxes (VAT)	**70,763,032**	86,608,486
Expanded withholding taxes (EWT)	**52,054,092**	56,967,336
Final taxes	**3,084,609**	2,276,299
	609,409,766	696,840,749

Of the P609.410 million withholding taxes accrued in CY 2017, P492.801 million was remitted in 2017. Taxes withheld for the month of December 2017 in the amount of P116.609 million were remitted in January 2018.

These taxes, except for taxes on compensation and benefits, were remitted in the GSIS' capacity as withholding agent pursuant to RR No. 17-2003 as amended by RR No.14-2008, with the GSIS having been determined as one of the top 20,000 corporations and as such, was designated as a withholding agent by the BIR.

In July 2017, the GSIS has started withholding documentary stamp taxes on non-life insurance policies and remitted to BIR a total of P249.917 million for the taxable year 2017.

The table below shows the taxes paid and accrued relating to investment property, non-life insurance policies, and the remittance pertaining to BIR annual registration fees:

	2017	2016
National		
Documentary stamp taxes	**252,772,502**	2,494,614
Capital gains taxes	**10,486,481**	9,077,827
Transfer taxes	**349,423**	880,719
BIR annual registration	**28,000**	28,000
Local		
Real estate taxes	**446,582**	1,057,201
	264,082,988	13,538,361

Of the P264.083 million accrued taxes and fees payable, P244.348 million was remitted in CY 2017.

On January 5, 2017, the Office of the President (OP) rendered its decision on OP Case No. 07-D-139 (formerly OSJ Case No. 2004-11) upholding the Department of Justice's (DOJ) Decision declaring that while GSIS is not personally liable for the Documentary Stamp Tax (DST), it is constituted as a withholding agent for the collection and remittance of tax; and ordering the BIR to conduct a new assessment of the DST. The case arose when BIR conducted an audit of the books of accounts of GSIS for taxable year 2000 and made a deficiency tax assessment on the alleged failure of the GSIS to file and remit the DST on transactions (such as loans, non-life insurance, life insurance, pre-need plans and acquired assets) contrary to the pertinent provisions of Revenue Regulations No. 9-2000 (Mode of Payment and/or Remittance of the DST Under Certain

Conditions). On January 25, 2017, GSIS filed its Motion for Partial Reconsideration of the OP's Decision.

The BIR issued tax clearance under OCN3TC0000019138 BIR form No. 2324 dated September 26, 2017 certifying that GSIS has been cleared/no outstanding tax liabilities for the taxable year 2013.